

D-Link Corporation

Annual Report 2022



Notice to Readers

This English-version Annual Report is a summary translation of the Chinese version and is not an official document of the Shareholders' Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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VI. D-Link Corporation Website

Web: <https://company.dlink.com/zh-hant>
IR Web: <http://www.ir-cloud.com/taiwan/2332/irwebsite/>

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Chapter 1 Letter to Shareholders

Dear Shareholders,

I. Operating Performance in 2022

(I) Implementation Results of the 2022 Business Plan

Looking back at the past year, global inflation continued to rise due to the war between Russia and Ukraine and the pandemic, which resulted in a weakening of global end-use demand. With the easing of material shortages, global enterprises are facing serious pressure regarding increased inventories. The Company achieved a 10.0% growth in revenue in 2022 due to strict inventory control, effective inventory level control, and concerted efforts of all employees. By region, sales in the Pan-Asia-Pacific achieved significant growth; by product, it was mainly benefited from increased sales of switch products. In 2022, the depreciation of the Taiwan dollar to the US dollar resulted in an increase in purchase costs, leading to a slight decline in gross profit. In the second half of 2022, D-Link had an official mass product for paring with a Metaverse main product (VR headset) in North America. Looking ahead to 2023, the Company will continue to enhance its core competitiveness and strengthen its management by launching new quality products, carrying out in-depth development of cloud platform services, and optimizing its product mix to increase gross profit. In addition, while increasing revenue, we will manage operating expenses in a prudent manner to improve the profitability of our main business and continue to pay attention to market changes in response to the impact of changes in the general environment.

(II) Budget Implementation

The Company did not disclose its financial forecast for 2023.

(III) Profitability analysis

With a review of the financial performance in 2022, the global consolidated revenue was NT\$17.078 billion, an increase of 10.0% compared with 2021; the gross profit margin was 25.3%, a decrease of 1.7% from 27.0% in 2021; the net operating profit was NT\$553 million, which was an increase of NT\$383 million from the net operating profit of NT\$170 million in 2021; the net income after tax was NT\$109 million; the earnings per share after tax was NT\$0.18.

(IV) Research and Development Status

➤ Commercial Product Line

- (1) **Switch Products:** In response to the renewal of product generations, we updated the hardware solution of L3 managed switch DXS-3410/DGS-3630. In addition, with respect to Smart switch products, we have completed the 2.5G product series DMS-1100, added 10G Smart switch product DXS-1210, and added 100G/25G L3 core Switch product DQS-5000 to complete the product series of switches required by enterprises and SMEs. With the support of standard SNMP, D-View8 management platform is also available to assist customers in centrally managing their products.

- (2) **Enterprise Access Point (EAP) and VPN Gateway Products:** In the promotion of VPN Gateway series, D-Link has cooperated with Japanese telecom customers to launch DBG-X2000 and DBG-X1000 products. The integration with the Nuclias Cloud management platform provides customers with an integrated management interface for their network development services, which can respond to the services under various local network architectures. In addition, the updated Wi-Fi 6 EAP product series not only supports standalone usage, but also can be integrated with Nuclias Connect (DNH-100/DNC-100) to enable customers to easily have a centralized EAP management solution, while integrating the applications of VPN Gateway DSR-250 and Nuclias Connect, allowing customers to control not only the EAP but also the VPN Gateway when deploying local services so as to provide a more secure environment for the entire local network services.
- **Home Product Line**
- (1) **Home Wireless Routers:** During the development of the Wi-Fi 6 160Mhz product, in addition to inheriting the intelligent functions of EAGLE PRO AI, the Matter series products are planned and developed for the home IoT network series. The Wi-Fi 6 product series is expected to continue to promote the integrated applications of Wi-Fi Dongle and VR scenarios in addition to broadband routers.
 - (2) **IP Camera and IoT:** The main development this year will focus on working with service application vendors for Cloud to Cloud service connection. In addition to serving users, the original cloud services can also be integrated for specific services to increase the scope of cloud services. The application of IOT is integrated with the services of cloud platform for industry cooperation.
- **Telecom Product Line**
- (1) **Broadband Network Products:** We continue to develop XGPON product lines, mainly XGPON modems. The Company will promote 2 box home network solutions integrated with Wi-Fi Mesh products. In addition to the demand of telecom providers, we have also started to plan and develop related products with third-party partners.
 - (2) **Mobile Broadband Products:** The 5G mobile communication broadband sharing, with the release of 5G-NR 3GPP R16 specification products, is integrated with Wi-Fi 6 for the development of 5G CPE and 5G ODU. Together with the AX1500 LTE Cat4/Cat6 CPE product series that integrates wireless Mesh function, it is expected that the Company is able to meet the needs of telecom providers at different levels.
 - (3) **M2M Industry Application:** The Company launches the industrial applications integrated with the Internet devices. The main feature of the product is that it can be used in various special environment. The product series mainly supports LTE/5G networks, as well as Ethernet and Wi-Fi. The Company promotes the Internet access of devices in various industries, the collection and monitoring of data and status, and the integration of D-ECS platform functions to provide the entire industry with an Internet access solution. At present, there are some applications in the public transportation in Europe and Southeast Asia.

II. Business Plan for 2022

(I) 2022 Business objectives

The Company adheres to the following operating guidelines to achieve the established

strategic targets.

1. Keep abreast of the trends in the networking market through global bases, formulate innovative product development plans, enhance the partnership with key technology strategic partners, launch high-quality leading products, and continue to develop value-added AI-powered smart functions.
2. Stick with discipline in research and development (R&D) and production, continue to improve processes, optimize the global supply chains, and capitalize on the Group's synergy.
3. Global teamwork: Closely communicate the Company's strategies and policies, build consensus across different cultures and regions, and share local successful experiences.
4. Sustainable operation: Committed to environmental protection, fulfill social responsibilities, and continuously improve corporate governance.

(II) Sales Forecast and Basis

According to the latest data released by IBISWorld in August 2022, the total monthly Internet traffic in 2022 was approximately 335.3 EB (1 EB = 103 PB = 106 TB = 109 GB), an increase of approximately 21% compared to 278.1 EB per month in 2021. Although the growth of Internet traffic has slowed down compared to the past growth of several times to tens of times, the annual traffic, including video streaming, Internet browsing, various online games, gaming platforms and social networks, has continued to grow due to the change of user habits. The growth in traffic is complemented by the demand for network infrastructure and equipment, which includes the switches of telecom suppliers and cloud centers, transmission equipment to enterprise-level switches, wireless base stations to home wireless routers, broadband and mobile routers, and other networking equipment.

1. Commercial Product Line

- (1) **Switch Products:** The switch retail market is expected to continue to decline or remain flat this year due to inflation and currency tightening; however, demand of enterprises and telecom markets is expected to remain flat and rise slowly due to traffic growth. This year, in addition to the continued promotion of enterprise cloud solutions, the various replacement solutions in response to last year's chip shortage are gradually ready to be launched, which will be conducive to securing the market share of 1Gbps class switches. In addition, a series of new 10G/25G/100G switches will be launched to increase the market share of high-end switches.
- (2) **Wireless Access Point and VPN Gateway Products:** In the new year, we will continue to focus on in-wall AP, based on successful cases in Japan, and expand to other parts of the world, targeting the Internet needs of apartments, hotels, and apartment complexes. In addition, with Wi-Fi 6 VPN Gateway and intelligent management platform, we aim to assist SMEs in building a smoother, more convenient, stable, and secure remote office environment.

2. Home Product Line

- (1) **Home Wireless Routers:** In recent years, the pandemic has led to changes in living habits. In particular, with the prevalence of distant learning, work from home, online shopping and delivery platforms, the demand for wireless routers and extenders at home has increased against the trend due to the impact of the pandemic. Although the sales in the networking retail market were limited due to

inflation and purchase of essential goods in the second half of 2022, looking ahead to 2023, the new technologies (Wi-Fi 6E, Wi-Fi 7) will also bring another wave of replacement as they mature. The Company will launch an upgraded AQUILA PRO AI series of EAGLE PRO AI in the first half of 2023, and introduce the Matter technology, coupled with a series of IoT devices, to build a smart home solution that provides services in a hope to increase sustainable revenue and stabilize profitability.

- (2) **IP Camera and IoT:** Among all AIoT devices, digital camera is the only device that can receive images and can be considered as the hub of smart home network. According to market research, the annual compound growth rate of demand for camera surveillance equipment from 2021 to 2030 was approximately 8%. However, the price has been falling due to intense competition, resulting in a decline in the Company's market share. This year, the Company will continue to work closely with its ODM partners, to strengthen AI integration in products and expand the application of affordable cloud added-value services based on high-level network security standards. The Company is expecting an increase in brand awareness in the competition and proportion of service fee income by a series of Matter-based smart networking devices in the future.

3. Telecom Product Line

- (1) **Broadband Network Products:** Although the demand for copper wire is gradually being replaced by optical fiber, there is still some demand in developing countries. The Company continues to invest some resources to serve the existing customers in order to secure the market share and customers. There is insufficient bandwidth in the previous fiber optic network of GPON (2.5Gbps). The major network companies are making every effort to gain a foothold in the 10G PON market. With the maturity of the technology, 10G PON is expected to gradually replace GPON in the next few years, the mainstream specifications of which include XG-PON, XGS-PON and NG-PON2. The market share of XGS-PON (10Gbps for both uploading and downloading) is expected to increase rapidly in recent years in response to the emergence of KOLs and the huge traffic demand of Tik Tok for uploading videos. Following the ongoing telecom project in 2022, XGS-PON products will be expanded in 2023 together with a series of Mesh Router to provide users with better home networking experience.
- (2) **Mobile Broadband Products:** With the gradual increase of 5G coverage, 5G FWA (Fixed Wireless Access) has become a broadband access solution in low population density areas due to advantages such as shorter deployment time and lower labor and equipment costs, which can increase broadband network coverage while significantly reducing operators' fiber deployment costs. In addition, 5G that integrated with AI and cloud computing technologies can develop various applications and services, such as loV, smart monitoring, remote industrial control, etc. It is also one of the most important infrastructures in the AIoT. The Company has successively launched Sub-6 5G indoor router and 5G mobile router, and has gained market share. This year, we will strive to promote a series of IoT devices to create AIoT application service solutions for the AI industry.

(III) Important Production and Sales Policies

Due to the COVID-19 pandemic, inflation, and monetary tightening in major countries around the world, the change in demand in the networking market has significantly intensified. On the other hand, although the production capacity of the master chips for

networking devices has eased due to inflation, the demand for consumer electronics products has also declined accordingly. Based on the above factors, the general principles of the Company's sales strategy in 2023 are still "selection" and "concentration", that is, we will adopt the optimized product mix and work with the optimal team of ODM partners and suppliers and adjust our sales strategies flexibly in different regions through our three business divisions in America, Europe, and APAC & Others regions and overseas subsidiaries on the front line, to increase our market shares in the home, commercial, and industrial markets, while strengthening our long-term partnership with mobile network operators.

III. Future Development Strategy

(I) Short-term Development Strategy

1. Cooperate with high-quality ODMs to establish a controllable supply chain system with close relationships.
2. Reshape D-Link's brand image and enhance brand value from three aspects: specifications and prices, functional performance, and corporate identity.
3. In addition, the Company has been able to provide the specifications and functions required by each industry and expand its market share to reduce the competition of products with general specifications.

(II) Mid- and Long- term Development Strategy

1. Achieve the extreme simplification of the supply and management of networking products with cloud computing as the main pillar.
2. Create stable and advanced networking products with excellent radio frequency and high-speed signal technology.
3. Strengthening cooperation with Tier 2 and Tier 3 telecom operators to secure long-term contracts with localized services.

IV. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

Competition in the networking market is fierce. Not only are new brands entering the market one after another, but also ODMs are often directly involved in telecom bidding projects. However, the Chinese manufacturers who are competing for market share at low prices continue to emerge, squeezing the gross profit of the networking companies. The Company will continue to optimize its supply chain, reform its organization, and carry out stringent inventory management to reduce costs and expenses, as well as replace single product competition with solutions so as to increase sustainable revenue and stabilize profitability. In addition, in response to rising security awareness in various countries, the Company has been well-prepared for "local manufacturing". The Company has established ESG Committee to create a sustainable business environment from three aspects, namely environment, society, and corporate governance, in addition to striving to make profits in the core business. In terms of the overall business environment, with the easing of the pandemic, continuous inflation, monetary tightening and geopolitical tensions, the retail market will definitely be significantly affected. Moreover, the sharp drop in demand will result in an acute rise in inventory levels of customers. Furthermore, the exchange rate fluctuations due to interest rate hikes will also affect the stability of profitability during the year. Therefore, in addition to planning, developing and

promoting various solutions as usual, the main focus of this year is to work closely with our subsidiaries, pay attention to local situations, understand local needs and inventories, keep an eye on central bank policies of each country, and seek expert advice to implement exchange rate risk management.

Last but not least, we would like to express our sincere appreciation to all shareholders for your support and trust in the Company. Our management team and all employees will strive to create the maximum values for all shareholders.

Chairperson: Victor Kuo

CEO: CJ Chang

Chapter 2 Company Profile

I. Date of Incorporation: 1987.06.20

II. Company History:

1986	<ul style="list-style-type: none"> D-Link Company Ltd. was established (later changed to D-Link Corporation Ltd.) A subsidiary was established in the US in the same year.
1987	<ul style="list-style-type: none"> D-Link Corporation was formally established at the Hsinchu Science Park.
1989	<ul style="list-style-type: none"> A subsidiary was established in the UK.
1990	<ul style="list-style-type: none"> A subsidiary was established in Canada. A subsidiary was established in France.
1991	<ul style="list-style-type: none"> The construction of a plant in the Hsinchu Science Park was completed. A subsidiary was established in Australia. A subsidiary was established in Germany.
1992	<ul style="list-style-type: none"> Awarded the first "Outstanding Award for Excellent Industrial Technology Development" from the Ministry of Economic Affairs. Awarded the "1st Taiwan Excellence Awards".
1994	<ul style="list-style-type: none"> The stock was listed for public trading with the stock code 2332 on TWSE. A subsidiary was established in Singapore. D-Link Charity Foundation was established.
1995	<ul style="list-style-type: none"> A subsidiary was established in India through a joint venture. A subsidiary was established in Latin America. Won the "4th Taiwan Excellence Awards" with 3 products
1996	<ul style="list-style-type: none"> Won the "5th Taiwan Excellence Awards" with 7 products and 1 Taiwan Excellence Gold Award.
1997	<ul style="list-style-type: none"> Won the "6th Taiwan Excellence Awards" with 3 products.
1998	<ul style="list-style-type: none"> Won the "7th Taiwan Excellence Awards" with 2 products.
1999	<ul style="list-style-type: none"> Won the "8th Taiwan Excellence Awards" with 4 products and 2 Taiwan Excellence Silver Award.
2000	<ul style="list-style-type: none"> Won the "9th Taiwan Excellence Awards" with 1 products.
2001	<ul style="list-style-type: none"> The subsidiary in India was listed in India's stock market as Taiwan's first company listed in India's stock market. A subsidiary was established in Brazil. Won the "10th Taiwan Excellence Awards" with 3 products and 1 Taiwan Excellence Silver Award.
2002	<ul style="list-style-type: none"> A subsidiary was established in Russian. A subsidiary was established in the Middle East. A subsidiary was established in Shiang-Hai. Won the "11th Taiwan Excellence Awards" with 3 products and 1 Taiwan Excellence Gold Award.
2003	<ul style="list-style-type: none"> The original OEM/ODM business department, including the Dongguan factory in China, was demerged into Alpha Networks Inc.
2004	<ul style="list-style-type: none"> Certificated with ISO 9001 the quality management system. According to Synergy Research Group's survey, D-Link ranked first in terms of the market share in global consumer network connection products. Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade, Ministry of Economic Affairs. Won the "13th Taiwan Excellence Awards" with 5 products.
2005	<ul style="list-style-type: none"> Officially moved into the Neihu Corporate Operational Headquarters building. A subsidiary was established in Japan. Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade, Ministry of Economic Affairs, for the second consecutive year.

	<ul style="list-style-type: none"> • Won the "14th Taiwan Excellence Awards" with 4 products.
2006	<ul style="list-style-type: none"> • Certificated with ISO 14001 the environmental management system. • Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade, Ministry of Economic Affairs, for the third consecutive year. • Won the "15th Taiwan Excellence Awards" with 4 products.
2007	<ul style="list-style-type: none"> • Led the world and launched green switch of Green Ethernet, and successively launched the "D-Link Green", a series of products to implement the Company's vision of corporate sustainability. • Recognized by Business Week as the top 100 IT companies in the world and the IT company with the 9th best return on investment in the world. • Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade, Ministry of Economic Affairs, for the fourth consecutive year. • Mr. Ken Kao, the Chairman, was awarded the "Technology and Communication Entrepreneur Award" at the 2007 EY Entrepreneur of the Year Awards. • Won the "16th Taiwan Excellence Awards" with 14 products and 1 Taiwan Excellence Silver Award.
2008	<ul style="list-style-type: none"> • Surpassed the standards in the industry and won TÜV Rheinland STAR's highest score of five stars for the enterprise quality rating. • Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade, Ministry of Economic Affairs, for the fifth consecutive year. • Mr. Ken Kao, the founder and Chairperson of the Board, passed away. • Won the "17th Taiwan Excellence Awards" with 5 products.
2009	<ul style="list-style-type: none"> • Awarded the Outstanding Innovation Enterprise Award at the 17th Industrial Technology Development Award held by the Ministry of Economic Affairs. • Mr. John Lee, the Chairman, was awarded the personal achievement award "R&D Management Innovation Award" at the 17th Industrial Technology Development Award. • Certificated with ISO/IEC 27001:2005 the information security system. • Won the German "Red Dot Design Award 2009". • Won the Japan "Good Design Award 2009". • Won the German "iF Design Award 2009". • Won the "Japan INTEROP Design Award" with 2 products. • Won the "18th Taiwan Excellence Awards" with 6 products and 1 Taiwan Excellence Gold Award.
2010	<ul style="list-style-type: none"> • D-Link's network security system was recognized and patented in the UK. • Won the "Innovation Award" and the first place of Last Gadget Standing at the 2010 CES. • Won the "19th Taiwan Excellence Awards" with 5 products and 1 Taiwan Excellence Gold Award.
2011	<ul style="list-style-type: none"> • A subsidiary was established in Korea. • Led the networking industry as the first player to launch innovative and revolutionary new products of "D-Link Cloud Series", a pioneering initiative to integrate cloud services for networking products. • Awarded the "Top 100 Taiwanese Brands" organized by Bureau of Foreign Trade, Ministry of Economic Affairs. • Won the "2011 Taiwan Top 20 International Brands" award organized by the Bureau of Foreign Trade, Ministry of Economic Affairs. • Won the German "iF Design Award 2011" with 2 products. • Won the German "Red Dot Design Award 2011" with 2 products. • Won the Japan "Good Design Award 2011" • Won the "20th Taiwan Excellence Awards" with 17 products.
2012	<ul style="list-style-type: none"> • The innovative technology of "Zero Setting" was launched. • Participated in the World IPV6 Launch Day. • Awarded "2012 Taiwan Top 20 International Brands" organized by the Bureau of International Trade, Ministry of Economic Affairs.

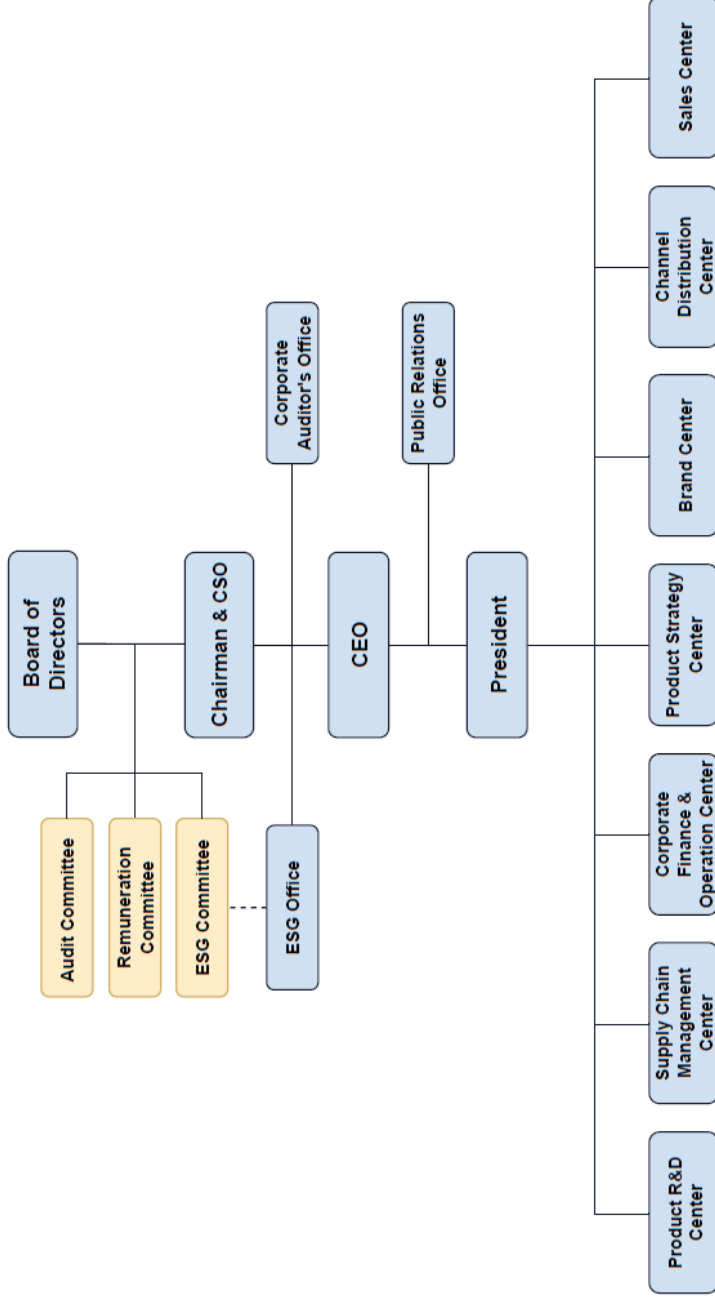
	<ul style="list-style-type: none"> • Awarded "Outstanding Innovation Enterprise Award" at the 2nd National Industrial Innovation Awards launched by the Ministry of Economic Affairs. • Won the German "Red Dot Design Award 2012" with 4 products. • Won the Japan "Good Design Award 2012". • Won the "21st Taiwan Excellence Awards" with 16 products and 1 Taiwan Excellence Gold Award and 2 Taiwan Excellence Silver Award.
2013	<ul style="list-style-type: none"> • Won first place in the wireless router evaluation conducted by Small Net Builder, a well-known network equipment evaluation unit. • Awarded the "2013 Taiwan Top 20 International Brands" organized by Industrial Development Bureau, Ministry of Economic Affairs. • Won the German "Red Dot Design Award 2013" with 2 products. • Won the Japan "Good Design Award 2013". • Won the "Innovation Award" at the 2013 CES. • Won the "22nd Taiwan Excellence Awards" with 19 products.
2014	<ul style="list-style-type: none"> • Launched the concept of "GET YOUR HOME TALKING; Smart Home · Internet of Things" with the most comprehensive layout in the smart home field in the networking industry. • Launched the first smart socket. • Won the "2014 Taiwan Top 20 International Brands" organized by Industrial Development Bureau, Ministry of Economic Affairs. • Won the German "iF Design Award 2014" with 2 products. • Won the "23rd Taiwan Excellence Awards" with 8 products.
2015	<ul style="list-style-type: none"> • Led the world by launching the first home-use 180° super wide-angle network cameras. • Became the first company in Taiwan to pass the latest version of ISO 9001:2015 and ISO 14001:2015 certification. • Won the "2015 Taiwan Top 20 International Brands" organized by Industrial Development Bureau, Ministry of Economic Affairs. • Won the "24th Taiwan Excellence Awards" with 11 products.
2016	<ul style="list-style-type: none"> • Led the industry to launch a full range of smart home products that supported IFTTT. • Cooperated with Microsoft to enter the Super Wi-Fi market. • Won the "Innovation Award" with 2 products at the 2016 CES. • Won the "25th Taiwan Excellence Awards" with 8 products.
2017	<ul style="list-style-type: none"> • Became the first networking company in Taiwan to be verified through BSIMM. • Won the "26th Taiwan Excellence Awards" with 6 products.
2018	<ul style="list-style-type: none"> • Launched the first Open Thread Border Router (OTBR) in the world. • Certificated with BS 10012:2017 the personal information management system. • Won the "Innovation Award" with 2 products at the 2018 CES. • Won the German "iF Design Award 2018". • Won the Japan "Good Design Award 2018". • Won the "2018 COMPUTEX d&i awards". • Won the "27th Taiwan Excellence Awards" with 8 products.
2019	<ul style="list-style-type: none"> • Certificated with ISO 45001:2018 the occupational safety and health management system. • Won the "Innovation Award" at the 2018 CES. • Won the "28th Taiwan Excellence Awards". • In a survey conducted by 1111 Job Bank, D-Link was selected by office workers as a Happy Enterprise.
2020	<ul style="list-style-type: none"> • Joined the Taiwan Steel Group. • Launch of brand new 5G mobile communication wireless routers management solution. • Announced that it has officially become an agent for Juniper Networks in Taiwan. • Passed the IEC 62443-4-1 Secure Product Development Lifecycle Requirements certification. • Certificated with ISO/IEC 27001:2013 the information security system. • Won the German "iF Design Award 2020".

	<ul style="list-style-type: none"> • Won the "IoT Breakthrough 2020". • Won the "Innovation Award" with 2 products at the 2020 CES. • Won the "29th Taiwan Excellence Awards" with 2 products.
2021	<ul style="list-style-type: none"> • Released the latest series of products at CES 2021, including mydlink home wireless network cameras, Wi-Fi 6 wireless products, 5G wireless mobile products, and 2.5 GbE solutions, to facilitate the digital transformation for smart homes and satisfy users' needs in the post-pandemic era. • Announced that it has officially become the agent for the international information security brand, Cyberbit, in Taiwan. • Launched the all-new EAGLE PRO AI series. • Launched the DWA-X1850 Wi-Fi 6 USB WNIC. • Re-certificated with BS 10012:2017 the personal information management system. • Re-certificated with ISO 14001:2015 the environmental management system. • Won the "Innovation Award" with 2 products at the 2021 CES. • Won the German "Red Dot Design Award 2021" with 3 products. • Won the German "iF Design Award 2020" with 2 products. • Won the Japan "Good Design Award 2021" with 3 products. • Won the "30th Taiwan Excellence Awards" with 2 products.
2022	<ul style="list-style-type: none"> • Exclusive cooperation with Meta to create DWA-F18 virtual reality projection network bridge, which wirelessly connects a computer to a head-mounted device, making the PC VR experience perfect. • Joined the Metaverse Standard Forum. • Launched the "D-Link Green Pack" project. • Obtained TRUSTe Privacy Certification Label. • Implemented and verified the Taiwan Intellectual Property Management System (TIPS). • Adopted "Task Force on Climate-related Financial Disclosures (TCFD)". • Certified greenhouse gas emissions with ISO 14064-1:2018. • Re-certificated with ISO 9001:2015 the quality management system. • Re-certificated with ISO 45001:2018 the occupational safety and health management system. • DCS-8350LH 2K QHD wireless webcam won the German "iF Design Award 2022". • M15 AX1500 Wi-Fi 6 dual band wireless router and M32 AX3200 Wi-Fi 6 dual band wireless router won the "2022 MIT Golden Award", the only networking brand and product that receive the award this year. • Won the "31th Taiwan Excellence Awards" with the DWA-F18 virtual reality projection network bridge. • Released the first sustainability report referred to SASB and compliant with the Type 2 moderate-level assurance of AA1000 ASv3 and certified by an independent inspection agency. • Cooperated with National Taiwan University of Science and Technology to establish the "D-Link Group Scholarship" to encourage and subsidize Ukrainian and other foreign students to study and help introduce to and nurture more technology talent in Taiwan.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Chart



(II) Major Corporate Functions

Department	Functions
Board of Directors	Decision-making on business plans, earnings distribution, Articles of Incorporation and important contracts, the examination and approval of budget and final account, the appointment and dismissal of managerial officers or other major matters.
Audit Committee	Assisting the Board of Directors in fulfilling the supervision of the Company's adequate expression in the Company's financial statements, appointment (dismissal) of CPAs and their independence, effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, as well as the control and management of the Company's existing or potential risks.
Remuneration Committee	Improving corporate governance and strengthening the remuneration management function of the Board of Directors, assisting in the implementation and assessment of the remuneration paid to the Directors and managerial officers of the Company.
ESG Committee	Regulating D-Link's operation and management activities and improving the Company's performance in the environmental, social, and governance aspects, thereby achieving the goal of sustainable development.
Corporate Auditor's Office	Evaluating the effectiveness of the Company's internal control system and the deficiencies during its implementation, while providing suggestions for improvement in a timely manner.
ESG Office	Analyzing domestic and international sustainability trends, coordinating and overseeing sustainability strategies and projects, and managing stakeholder issues and sustainability issues.
Public Relations Office	Coordinating and managing the Company's external image, maintaining media relations, handling media PR crises, and planning and executing social engagement activities.
Product R&D Center	<ol style="list-style-type: none"> 1. Planning and formulating the overall research and development (R&D) strategies for products and technologies. 2. Research, planning, design, and specification setting for full range of products. 3. Development and design of the service platform as well as planning and management of software project schedules. 4. Software specification setting and testing for products; automatic test development and test case setting. 5. Product software application systems, development and testing of functions. 6. Product software and hardware functions and compatibility verification; providing quick and effective technical support services. 7. Integrating the needs across different units and product lines and completing communication and introduction through PLM.

Department	Functions
	<ol style="list-style-type: none"> 8. Managing the hardware and software operations and planning for global information related systems; establishing and implementing information standardization systems in conjunction with the IT/MIS integrated systems. 9. Handling of information security issues.
Supply Chain Management Center	<ol style="list-style-type: none"> 1. Management of procurement, price negotiation, delivery, and distribution logistics of products outsourced. 2. Supplier management, product supply and demand management, as well as import and export operations. 3. Integrating estimates for global procurement needs for products and components, strategic procurement management. 4. Establishing a comprehensive product development quality control system, setting mid- and long-term quality objectives and plans, and improving product quality and the Company's brand image. 5. Performing regular audits of suppliers' product quality, development, and production capabilities. 6. Improving the service quality and accurately understanding the status of product quality through the operation of the global RMA system and the establishment of the global customer service center for Customer Relationship Management (CRM).
Corporate Finance & Operation Center	<ol style="list-style-type: none"> 1. Formulating the Company's wealth management and investment strategies, making effective use of funds, controlling financial risks, to achieve the reasonable return on the Company's overall investments. 2. Analyzing the operating performance of each operating units. 3. Facilitating the communication between the Company and investors to enhance the transparency of financial information. 4. Financial related business, including cash management, financing management, hedging, credit risk management, investment management, and stock affairs. 5. Conducting relevant accounting operations of the Headquarters and the Taiwan Branch; coordinating and compiling relevant accounting operations of the branches and subsidiaries around the world. 6. Providing various financial and management reports for decision-making. 7. Executing human resources-related affairs, including education and training, recruitment and appointment, and salary management. 8. Management of corporate legal affairs, business contracts, personal information protection, litigation, intellectual property rights and other legal matters. 9. Logistics support for general affairs, property and equipment management, and occupational safety and health management.
Brand Center	<ol style="list-style-type: none"> 1. Execute (corporate/product) brand positioning and internal and external branding in line with company philosophy.

Department	Functions
	<ol style="list-style-type: none"> 2. Shape visual consistency of brand image. 3. Global website planning and management. 4. Collaborate with relevant departments to analyze competitors' product design, interface, packaging and marketing design. 5. Collaborate with relevant departments to design products (hardware and software), packaging and points of sales materials for smooth delivery. 6. Verify product and webpage interface usability.
Product Strategy Center	<ol style="list-style-type: none"> 1. Plan the product strategy direction according to the market competition and future development trend. 2. Competitive analysis and research, product direction development, including new product specification and function development, product map release, management and product acceptance, etc. 3. Develop product launch strategies, formulate sales documents, and plan and execute product business marketing plans. 4. Product technical documentation, life cycle management and package materials development design.
Channel Distribution Center	<ol style="list-style-type: none"> 1. Responsible for the business development of D-Link global/overseas consumer products market and effectively increase the market share of D-Link products. 2. Develop global/overseas distribution strategies for D-Link consumer products based on market characteristics to achieve the operational goals of the Company. 3. Develop distributor management system, channel development and incentive strategies, and conduct regular review and revision to help distributors achieve their performance targets.
Sales Center	<ol style="list-style-type: none"> 1. Implementing the guiding principles and operating policies stipulated by the Headquarters for each OBUs to formulate business strategies, business plans, and risk management policies respectively. 2. Implementing the regulations stipulated by the Headquarters on the relevant business practices of each OBUs. 3. Being Responsible for each OBU's performance of various operating indicators. 4. Provide pre-sales technical and customer service support for products in collaboration with OBUs. 5. Reporting the local market demands and situations of each OBUs in time and coordinating internal resources of D-Link Headquarter for enhancing the performance efficiency of the Company overall.

II. Information on the Company's Directors, President, Vice Presidents and Managerial officers of All the Company's Divisions and Branches

(I) Directors

2023.03.31; share

Title	Nationality / Place of Registration	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other Position Concurrently Held at the Company or Other Companies	Executives, Directors, or Supervisors who are Spouses or Within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson	R.O.C.	Young Syun Investment Co., Ltd.	—	2020 Jun 15	3	2020 Jun 15	6,520,000	1.00	5,998,400	1.00	0	0	0	0	—	—	—	—	—	—
	R.O.C.	Representative: Victor Kuo	Male 60	2021 Feb 2	2	2021 Feb 2	0	0	0	0	0	0	0	0	Education: Master of Electrical Engineering, National Taiwan University Experience: CEO and President of Amigo Technology Inc. President of AXUS Microsystems, Inc.	Note 1	None	—	—	—
Director	R.O.C.	Young Syun Investment Co., Ltd.	—	2020 Jun 15	3	2020 Jun 15	6,520,000	1.00	5,998,400	1.00	0	0	0	0	—	—	—	—	—	—
	R.O.C.	Representative: Joseph Wang	Male 60	2020 Oct 26	3	2020 Oct 26	0	0	0	0	0	0	0	0	Education: Department of Law, National Chung-Hsing University Experience: Director of KMC (Kuei Meng) International Inc., Independent Director of Aeon Motor Co., Ltd.	Note 2	None	—	—	—
Director	R.O.C.	Howard kao	Male 46	2020 Jun 15	3	2020 Jun 15	3,394,283	0.52	3,168,740	0.53	0	0	0	0	Education: San Jose State University, USA Experience: Special Assistant of CEO Office of D-Link Corporation	Note 3	None	—	—	—
	R.O.C.	Pu Ju Investment Co., Ltd.	—	2020 Jun 15	3	2020 Jun 15	12,489,000	1.92	15,939,120	2.66	0	0	0	0	Education: MIT Sloan School of Management Experience: Partner and Vice President of Maxima Capital Management, Acting President of Hep Tech Co., Ltd., Project Manager of Manufacturing Department of Taiwan Semiconductor Manufacturing Co., Ltd., Business Manager of Digital Equipment Corporations, Manager of Investment Department of Walden International Taiwan Co., Ltd.	—	—	—	—	—
Director	R.O.C.	Representative: David Tai	Male 55	2020 Jun 15	3	2020 Jun 15	0	0	0	0	0	0	0	0	—	Note 4	None	—	—	—
Director	R.O.C.	Pu Ju Investment Co., Ltd.	—	2020 Jun 15	3	2020 Jun 15	12,489,000	1.92	15,939,120	2.66	0	0	0	0	—	—	—	—	—	—

Title	Nationality / Place of Registration	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other Position Concurrently Held at the Company or Other Companies	Executives, Directors, or Supervisors who are Spouses or Within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Education: Master of Science Computer Engineering, Santa Clara University California Experience: CEO of Asia Cybermart International Holding Co., Ltd., CTO of Asia Pacific Japan, Hewlett-Packard Company, President of Orinda Networks Nanjing Company, General Manager of Cisco Systems China Networking Technology Co. Ltd., Executive Director of Beijing ZNode Technologies Co., Ltd.					
	R.O.C.	Representative: Alan Yu	Male 64	2020 Jun 19	3	2020 Jun 19	0	0	0	0	0	0	0	0	0	Note 5	None	—		
Independent Director	R.O.C.	Richard Chen	Male 59	2020 Jun 15	3	2020 Jun 15	0	0	0	0	0	0	0	0	0	Note 6	None	—		
Independent Director	R.O.C.	Richard Lee	Male 61	2020 Jun 15	3	2020 Jun 15	0	0	0	0	0	0	0	0	0	Note 7	None	—		
Independent Director	R.O.C.	Chun-Hsiung Chu	Male 59	2021 Jul 05	2	2021 Jul 05	0	0	0	0	0	0	0	0	0	Note 8	None	—		

Note 1: CSO of D-Link Corporation, Director of D-Link International Pte. Ltd., Director of D-Link Holding Co. Ltd., Director of D-Link (Holdings) Ltd., Director of D-Link Shiang-Hai (Cayman) Inc., Director of D-Link Russia Investment Co. Ltd., Director of D-Link Holding Mauritius Inc., Chairperson and Representative of Institutional Director of Yeo-Tai Investment Ltd., Chairperson and Representative of Institutional Director of Cameo Communications Inc., Chairperson and Representative of Institutional Director of Yong Rui Investment Co., Ltd., CSO and Representative of Institutional Director of Amigo Technology Inc., Chairperson of Amit Wireless Inc.

Note 2: Chairperson of Kings Asset Management Co., Ltd., Chairperson of Taiwan Steel Group United Co., Ltd., Chairperson of Taiwan Network Group United Co., Ltd., Chairperson of Gloria Material Technology Corp., Chairperson of S-Tech Corp., Chairperson of Ho Yang Investment Corp., Chairperson of Rong Yang Investment Co., Ltd., Chairperson of Na Neng Co., Ltd., Chairperson of Jade Colorful Co., Chairperson of TSG Hawks Baseball Co., Ltd., Chairperson of TSG Sports Marketing Co., Ltd., Independent Director of Huang Long Development Co., Ltd., Representative of Institutional Director of Chun Yu Works & Co., Ltd., Representative of Institutional Director of Taiwan Styrene Monomer Corporation, Representative of Institutional Director of Cameo Communications, Inc., Representative of Institutional Director of Chun Bang Precision Co., Ltd., Representative of Institutional Director of Chun Yu Works & Co., Ltd., Representative of Institutional Director of Chun Yu Investment Co., Ltd., Representative of Institutional Director of Yung-Fu Co., Ltd., Representative of Institutional Director of UFC Gym Taiwan Ltd., Director of Star Travel Corp., Director of Soft-World International Corporation, Director of Shiang-Hai Chun Zu Machinery Industry Co., Ltd., Supervisor of Chun Yu (DongGuan) Metal Products Co., Ltd., Supervisor of Shiang-Hai Uchee Hardware Products Co., Ltd., Chairperson of GuanZhou Goldway Special Metal Corp., Ltd., Chairperson of Tianlin Goldway Special Metal Corp., Ltd., Chairperson of XiAn Goldway Special Metal Corp., Ltd., Chairperson of ZheJiang JiaXing Goldway Special Metal Corp., Ltd., Chairperson of Shiang Yang Metal Material Technology Co., Ltd., Chairperson of G-Yao Enterprises Ltd., Chairperson of All Win Enterprises Ltd., Chairperson of Faith Enterprises Ltd., Chairperson of Alloy Tool Steel Inc., Chairperson of Gloria Material Technology Japan Co., Ltd., Managing Attorney / Chairperson of Prolaw Law Firm.

Note3: Senior Director of Pan-Asia-Pacific Business Div. of D-Link Corporation, Chairperson of D-Link (India) Ltd., Director of TeamF1 Networks Private Limited, Director of D-Link (Shanghai) Co., Ltd., Director of Netpro Trading (Shanghai) Co., Ltd., Director of D-Link Korea Ltd., Director of D-Link Japan K.K., Director of D-Link Australia Pty. Ltd., Director of D-Link Investment Pte. Ltd., Director of D-Link Latin-America Company Ltd., Director of D-Link Shiang-Hai (Cayman) Inc., Director of D-Link Holding Co. Ltd., Director of D-Link Russia Investment Co. Ltd., Supervisor of Pu Ju Investment Co., Ltd.

Note4: Director of Wellhead Biological Technology Corp., Chairperson and Representative of Institutional Director of Paralink ASEAN Management Ltd., Chairperson of Hui-Pen Management Consulting Co., Ltd., Independent Director of Acon Optics Communications Inc., Supervisor and Representative of Institutional Director of Cywee Inc.

Note5: Independent Director of Cvilux Corporation.

Note6: Accountant of TrustWorthy CPAs Firm, Independent Director of Generalplus Technology Inc., Independent Director of Radiant Innovation Inc., Independent Director of Advanced Wireless & Antenna Inc., Supervisor of Tung Hwei Corp.

Note7: Partner Lawyer of Yuan-Chen & Partners Attorneys-at-Law, Representative of Institutional Director of Taiwan Styrene Monomer Corporation, Independent Director of Taiwan Tea Corporation, Independent Director of Tatung Company, Independent Director of S-Tech Corp., Consultant of Taiwan Medical Association.

Note8: Lawyer of Cyuan-Ying Law Office, Independent Director of Honey Hope Enterprise Co., Ltd., Independent Director of Gloria Material Technology Corp.

Note9: Director, John Lee resigned on 2022.09.28.

Annexed Table 1: Major Shareholders of Institutional Shareholders 2023.03.31

Name of Institutional Shareholders	Major Shareholders	Percentage (%)
Young Syun Investment Co., Ltd.	Taiwan Network Group United Co., Ltd.	100
Pu Ju Investment Co., Ltd.	Lori Hu	99.96
	Howard Kao	0.04

Annexed Table 2: Major Shareholders of the Company's Major Institutional Shareholders 2023.03.31

Name of Institutional Shareholders	Major Shareholders of Institutions	Percentage (%)
Taiwan Network Group United Co., Ltd.	Yitongyuan Investment Co., Ltd.	100

1. Professional Qualifications and Independence Analysis of Directors

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
Chairperson	Victor Kuo	Mr. Victor Kuo graduated from the Graduate Institute of Electrical Engineering, National Taiwan University and founded Amit Wireless Inc. in 1998 to develop wireless IoT products. He once served as the CEO and the president of Amigo Technology Inc. listed on TPEX. He has been in the network communication industry for many years and therefore possesses complete, professional and extensive industry knowledge. He serves as the Chief Strategy Officer of D-Link Corporation, planning the strategic development of products, technologies and investments in relation to the medium and long-term development of the Company, as well as supervising the risks regarding the Company's strategies and operations, with decision-making and risk management capabilities. No circumstances under any subparagraph of Article 30 of the Company Act.	Mr. Victor Kuo serves as a Director as a Representative of an Institutional Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 of the "Securities and Exchange Act".	0
Director	Joseph Wang	Mr. Joseph Wang graduated from the Department of Law, National Chung Hsing University and has served as the attorney at law of Prolaw Law Firm. With profound	Mr. Joseph Wang serves as a Director as a Representative of an Institutional Director. According to the regulations of the "Securities and Exchange Act", the Company	1

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		<p>legal expertise, which is one of the necessary specialties for the Board, he helps the Company's Board of Directors make an evaluation before each major decision, thereby reducing our operational risks. In addition, he has been the Chairman and CEO of Gloria Material Technology Corp and S-Tech Corp for many years, and has been personally involved in the management of the companies, with extensive experience in corporate management. In recent years, he has served as the top advisory committee member of the Corporate Sustainability Committee of Gloria Material Technology Corp and is committed to promoting sustainable development policies, leading Gloria Material Technology Corp to achieve the top 5% performance of the 8th Corporate Governance Evaluation.</p> <p>No circumstances under any subparagraph of Article 30 of the Company Act.</p>	has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 of the "Securities and Exchange Act".	
Director	Howard Kao	<p>After graduating from San José State University, Mr. Howard Kao has worked at D-Link for many years. He served as the R&D and management supervisor of</p>	Mr. Howard Kao serves as a natural-person Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written	0

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		<p>mydlink cloud service division of D-Link, where he was exposed to other start-up companies and captured the latest market trends to make sophisticated technical and operational judgment. Currently, he is responsible for the management of overseas branches and has visited India, the United States and Australia to have a better understanding of the ecosystem of overseas markets and gain international insight. No circumstances under any subparagraph of Article 30 of the Company Act.</p>	<p>statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 of the “Securities and Exchange Act”.</p>	
Director	David Tai	<p>Mr. David Tai graduated from the MIT Sloan School of Management and has worked at major technology companies, including TSMC and DEC, with management and practical experience. Since 1999, he has been involved in venture capital. With his extensive experience in the technology industry, he has assisted a number of start-up companies in Asia in establishing business models and strategic plans to be listed in China, Hong Kong, Taiwan and the United States. With an international perspective, he can give professional advice to the Company from different</p>	<p>Mr. David Tai serves as a Director as a Representative of an Institutional Director. According to the regulations of the “Securities and Exchange Act”, the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 of the “Securities and Exchange Act”. In addition, although he serves as a director at several companies concurrently, none of the companies, at which he holds a position concurrently, is a company with direct or indirect relations with the Company. Therefore, the Company is convinced that the positions he</p>	1

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		<p>perspectives. In addition, he has served as a director or supervisor of a number of cross-strait companies, and has also served as an advisor to the Taiwan Institute for Information Industry on new technology for many years, with leadership capabilities.</p> <p>No circumstances under any subparagraph of Article 30 of the Company Act.</p>	holds concurrently will not affect his independence as a Director at D-Link.	
Director	Alan Yu	<p>Mr. Alan Yu graduated from the Graduate Institute of Electrical and Computer Engineering, Santa Clara University, California, U.S. He was in charge of SEB's customer development business in East Asia and assisted in the smooth transformation of the company, with operation and management capabilities. During the term of office as a senior executive, such as CXO at Cisco, HP and other medium-sized enterprises as well as the head in charge of the Asia Pacific region, Mr. Alan Yu observed market changes and planned the companies' operational strategies and guidelines according to the characteristics of regional markets, with operational judgments and decision-making capabilities. He had handled business crisis (e.g.</p>	<p>Mr. Alan Yu serves as a Director as a Representative of an Institutional Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 of the "Securities and Exchange Act". In addition, although he serves as an Independent Director of other TWSE-listed companies concurrently, the number of such companies with a similar business scope is fewer than three, so he meets the Company's independence criteria.</p>	1

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		China Unicom’s VoIP controversy), political crisis (e.g. TravelSky’s Shanghai air traffic control system), and product quality crisis (e.g. Toyota’s auto defect incident), with absolute confidence in crisis management. In addition, he has an in-depth understanding of and contacts in the North American, Southeast Asian, and Japanese markets. Through the attention to the international situation, technology advancement, upstream and downstream connections, etc., he has established international market insight and accumulated knowledge of the networking industry. Currently, he is a member of the Risk Management Committee of CviLux Lao Co., Ltd. No circumstances under any subparagraph of Article 30 of the Company Act.		
Independent Director	Richard Chen	Mr. Richard Chen graduated from the Department of Accounting, Chinese Culture University. In addition to passing the Senior Professional and Technical Examination for Certified Public Accountants, he obtained the securities analyst and the land administration agent licenses, with accounting professional and	Mr. Richard Chen was elected as an Independent Director by the shareholders' meeting. As per the “Securities and Exchange Act”, the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the “Regulations Governing Appointment of Independent	3

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		<p>financial analysis capabilities. Therefore, he has met the professional qualifications for an independent director. He is also the convener of the Company's Audit Committee and a member of the Remuneration Committee and the ESG Committee.</p> <p>No circumstances under any subparagraph of Article 30 of the Company Act.</p>	<p>Directors and Compliance Matters for Public Companies". In addition, he is not concurrently serving as an independent director of other companies with similar business or financial transactions. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.</p>	
Independent Director	Richard Lee	<p>Mr. Richard Lee graduated from the Institute of China and Asia-Pacific Studies, National Sun Yat-sen University. He used to be the district court chief judge and chief justice. He has extensive experience in court proceedings as a legal specialist. He has served as a Congressional Assistant in the Legislative Yuan, writing interpellation papers for legislators and assisting in handling public petitions. He possesses cross-disciplinary conceptual and analytical thinking, information consolidation and crisis management skills. In addition, he is also a partner of a law firm and is responsible for the firm's operational guidelines and business execution. Therefore, he has met the professional qualifications for an independent</p>	<p>Mr. Richard Lee was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In addition, he is not concurrently serving as an independent director of other companies with similar business or financial transactions. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.</p>	3

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		<p>director. He is also the convener of the Company's Remuneration Committee and a member of the Audit Committee and the ESG Committee.</p> <p>No circumstances under any subparagraph of Article 30 of the Company Act.</p>		
Independent Director	Chun-Hsiung Chu	<p>Mr. Chun-Hsiung Chu graduated from the master's program, School of Law, National Chung Hsing University. He has practiced as an attorney for more than 30 years with profound legal expertise. He has participated in the evaluation and operation of large-scale projects of customers in terms of integrated finance, law, technology, management, and risk, such as the information and communication software and hardware construction project of the Terminal Three of Taoyuan International Airport and the military procurement project of the Ministry of National Defense, with cross-disciplinary conceptual and analytical thinking, information consolidation and crisis management skills. Therefore, he has met the professional qualifications for an independent director. He has long served as a member of the</p>	<p>Mr. Chun-Hsiung Chu was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In addition, he is not concurrently serving as an independent director of other companies with similar business or financial transactions. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.</p>	2

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		<p>Neighborhood Committee of the Ministry of National Defense, and is responsible for assisting each township in using the funds donated by the Ministry of National Defense for the sustainable work of general construction and regional revitalization in each township. He can provide professional advice on the sustainable development of the Company from different perspectives. Therefore, he is also the convener of the Company's CSR Committee and a member of the Audit Committee and the Remuneration Committee. No circumstances under any subparagraph of Article 30 of the Company Act.</p>		

2. Diversity and Independent of Board Members

(1) Diversity of Board Members:

- The Company has formulated the “Corporate Governance Best Practice Principles” and stated in Article 20 that the policy of board member diversity shall include but not limited to the following two aspects of standard:
 - A. Basic qualification and value: gender, age, and nationality.
 - B. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.
- The Company has a total of 8 Directors, including 3 Independent Directors (accounting for 37.5%), with tenure of less than 3 years; Meanwhile, 2 Directors are employees (accounting for 25%). Mr. Richard Chen has professional background in accounting and financial analysis; Mr. Joseph Wang, Mr. Richard Lee and Mr. Chun-Hsiung Chu possess the expertise in legal background and can provide professional advice to the Company from different perspectives.
- Specific management objectives and achievement of the Board's Diversity Policy:

Management Target	Status of Achievement
Directors concurrently serving as the Company's managerial officers shall not exceed one-third of the total number of the board members.	Achieved. The directors are employees accounting for 25%.
Independent Director shall serve no more than three consecutive terms.	Achieved. All three independent directors in 12 th session served as independent directors of the Company for the first time.
At least 1 Director has relevant expertise in the networking industry.	Achieved. Director Victor Kuo has been in the networking industry for many years.
At least 1 Independent Director has professional or experience in sustainable development.	Achieved. Independent Director Chun-Hsiung Chu is currently a member of the Audit Committee of the Neighborhood Fee Committee of Ministry of National Defense's each headquarters, having encouraged and reviewed the promotion of environmental sanitation, sustainable development, and local creation in villages for a long time.
At least one female director.	Not Achieved. At least one female director after the re-election of directors upon the expiration of original directors' tenure in 2023 in order to achieve the policy of gender equality and diversity and continuously improve corporate governance.

- The implementation status of Board members diversity in 12th session is shown in the table below:

Date: 2022.12.31

Name of Directors	Item		Basic Information					Ability									
	Gender	Employee of the Company	Age			Tenure of Independent Director		Operational Judgement	Accounting and Financial analysis	Management administration	Crisis management	Industrial Knowledge	International market perspective	Leadership	Decision making	Sustainability Professional	Risk Management
			Under 50 years	51 to 60 years	61 to 70 years	Under 3 years	3 to 9 years										
Victor Kuo	M	✓		✓				✓		✓	✓	✓	✓	✓	✓	✓	✓
Joseph Wang	M			✓				✓		✓	✓			✓	✓	✓	✓
Howard Kao	M	✓	✓					✓		✓	✓	✓	✓	✓			
David Tai	M			✓				✓	✓	✓	✓	✓	✓	✓			
Alan Yu	M				✓			✓	✓	✓	✓	✓	✓	✓			✓
Richard Chen	M			✓		✓		✓	✓	✓	✓			✓	✓		✓
Richard Lee	M				✓	✓		✓		✓	✓			✓	✓		✓
Chun-Hsiung Chu	M			✓		✓		✓		✓	✓			✓	✓	✓	✓

(2) Independent of Board Members: The current board of directors of the Company consists of 8 directors, including 3 independent directors (accounting for 37.5%). All directors meet the independence criteria and have not served more than three consecutive terms. In addition, none of the directors has a relationship within the spousal or second degree of kinship, which complies with the provisions of Paragraphs 3, Article 26-3, of the Securities and Exchange Act.

(II) Information Regarding President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

2023-03-31: shares

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Work Experiences	Other Position	Managers Who Are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CSO	R.O.C.	Victor Kuo	Male	Mar 1 2022	0	0	0	0	0	0	<p>Education: Master of Electrical Engineering, National Taiwan University</p> <p>Experience: CEO and President of Amigo Technology Inc., President of AXUS Microsystems, Inc.</p>	<ul style="list-style-type: none"> • Director of D-Link International Pte. Ltd. • Director of D-Link Holding Co. Ltd. • Director of D-Link (Holdings) Ltd. • Director of D-Link Shiang-Hai (Cayman) Inc. • Director of D-Link Russia Investment Co. Ltd. • Director of D-Link Holding Mauritius, Inc. • Chairperson and Representative of Institutional Director of Yeotai Investment Ltd. • Chairperson and Representative of Institutional Director of Cameo Communications, Inc. • Chairperson and Representative of Institutional Director of Yong Rui Investment Co., Ltd. • CSO and Representative of Institutional Director of Amigo Technology Inc. • Chairperson of Amit Wireless Inc. 	None			Note 1
CEO	R.O.C.	CJ Chang	Male	Aug 31 2021	1,306	0	13,800	0	0	0	<p>Education: Institute of Business Management, Senshu University</p> <p>Experience: COO of The Network Inc., Executive Assistant and President of Advantage Century</p> <p>Telecommunication, D-Link Corporation, Northeast Asia Region Business Unit (NEA), Pan-Asia-Pacific Business Group</p>	<ul style="list-style-type: none"> • Chairperson of D-Link Korea Ltd. • Chairperson of D-Link Japan K.K. • Director of D-Link Australia Pty. Ltd. • Director of D-Link Middle-East FZCO • Director of D-Link Systems, Inc. • Director of D-Link (Europe) Ltd. • Director of D-Link Holding Mauritius, Inc. • Chairperson of D-Link (Shanghai) Co., Ltd. & Representative of Beijing Branch and First Branch, • Chairperson of Netpro Trading 	None			—

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Work Experiences	Other Position	Managers Who Are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President	R.O.C.	Sara Cheng	Female	Mar 02 2021	0	0	0	0	0	0	<p>Education: MBA- Finance of Fairleigh Dickinson University</p> <p>Experience: TP-LINK Sales VP, Alpha Networks ALP, MitraStar Technology Sales VP, Edata Communications Director, ZYXEL Communication Corp Senior Account manager, MiconMax Computers Business manager</p>	<ul style="list-style-type: none"> • Director of D-Link Canada Inc. • Director of D-Link (Europe) Ltd. • Director of D-Link (Magyarország) Kft • Director of D-Link France SARL • Director of D-Link Iberia SL • Director of D-Link s.r.o. • Director of D-Link Mediterraneo SRL • Director of D-Link (Deutschland) GmbH • Director of D-Link (UK) Ltd. • Director of Success Stone Overseas Corp • Director of D-Link International Pte. Ltd. • Director of D-Link Latin-America Company Ltd. • Director of D-Link (Shanghai) Co., Ltd. • Director of Netpro Trading (Shanghai) Co., Ltd. 	None	—		
Vice President	R.O.C.	Rita Huang	Female	Sep 01 2020	0	0	0	0	0	0	<p>Education: Institute of Finance, National Kaohsiung University of Science and Technology</p> <p>Experience: Vice President of Sales and CFO of Amit Wireless Inc., Assistant Manager of Finance and Manager of Finance of Kuei-Yang Technology Co., Ltd.</p>	<ul style="list-style-type: none"> • Chairperson of Taiwan Styrene Investment Inc. • Director of An Pei Enterprise Co., Ltd. • President of Amigo Technology Inc. 	None	Note 2		
Vice President	R.O.C.	Kevin Chung	Male	Oct 11 2012	296,751	0.05	0	0	0	0	<p>Education: Bachelor of Industrial Engineering, Tunghai University</p> <p>Experience: Senior Director of Product & Support Administration Center of Taiwan Branch, D-Link Corporation</p>	<ul style="list-style-type: none"> • President of Taiwan Branch, D-Link Corporation 	None	—		

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Work Experiences	Other Position	Managers Who Are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CFO	R.O.C.	Joanne Chen	Female	Aug 24 2020	200,000	0.03	0	0	0	0	Education: Master of Arts in International Affairs and Management, University of California, San Diego (USA) Experience: Co-Founder & CFO of New Taiding Investment Co., Ltd., Accounting Supervisor of Toyota Financial Services Corporation (USA), Senior Advisor of Ernst & Young LLP (USA), Audit Senior Associate of KPMG LLP (USA)	<ul style="list-style-type: none"> Director of D-Link Middle-East FZCO Director of New Taiding Investment Co., Ltd. 	None		—	
Deputy Director	R.O.C.	Claire Chou	Female	Aug 11 2020	0	0	0	0	0	0	Education: Bachelor of Accounting, National Taiwan University Experience: Manager of Accounting Department of Henkel Taiwan Ltd. Education: Master of Finance, Fu-jen Catholic University Experience: Senior Deputy Manager of Finance Management Division of SinoPac Holdings, Deputy Manager of Finance Department of President Securities Corp.	<ul style="list-style-type: none"> Supervisor of D-Link (Shanghai) Co., Ltd. Supervisor of Netpro Trading (Shanghai) Co., Ltd. Supervisor of D-Link Japan K.K. 	None		—	
Corporate Governance Officer	R.O.C.	Wynne Ho	Female	Nov 05 2021	1,000	0	0	0	0	0		—	None		—	

Note 1 : On February 22, 2022, the Board of Directors approved the appointment of the Chairperson holding concurrently the role of the Chief Strategy Officer, which became effective on March 1, 2022.

Note 2 : Vice President Rita Huang has been on leave without pay since January 10, 2023.

Note 3 : Advisor Fred Fong resigned on July 31, 2022 and was designated as an external consultant of the Company.

Note 4 : President Mark Chen resigned from his position as President on January 6, 2023 and was designated as an external consultant of the Company.

III. Remuneration of Directors, President, and Vice Presidents

(I) Directors' Remuneration

Title	Name	Remuneration						Relevant Remuneration Received by Directors Who are Also Employees						Remuneration From Ventures Other Than Subsidiaries or Parent Company								
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)		Total Remuneration (A+B+C+D) and Ratio to Net Income After Tax		Salary, Bonuses, and Allowances (E)			Severance Pay (F)		Employee Compensation (G)		Total Remuneration (A+B+C+D+E+F+G) and Ratio to Net Income After Tax			
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Chairperson	Victor Kuo	1,100	1,100	0	0	0	0	42	1,142	1,142	1,142	5,145	0	0	372	0	6,659	6,659	6.10%	6.10%	15	
Institutional Director	Young Syun Investment Co., Ltd. Representative: Joseph Wang	0	0	0	340	340	0	0	340	340	340	0	0	0	0	0	340	340	0.31%	0.31%	0	
Director	John Lee (Note 1)	90	90	0	0	0	30	120	120	120	303	14	14	0	0	0	437	437	0.40%	0.40%	0	
Director	Howard Kao	120	120	0	198	198	36	354	354	354	2,058	103	103	50	50	2,565	2,565	2.35%	2.35%	0		
Institutional Director	Pu Ju Investment Co., Ltd. Representative: David Tai	0	0	0	198	198	0	198	198	198	0	0	0	0	0	0	198	198	0.18%	0.18%	0	
Representative: Alan Yu	120	120	0	0	0	0	42	162	162	162	0	0	0	0	0	162	162	0.15%	0.15%	0		
Independent Director	Richard Chen	840	840	0	0	0	30	150	150	150	0	0	0	0	0	150	150	0.14%	0.14%	0		
Independent Director	Richard Lee	840	840	0	0	0	42	882	882	882	0	0	0	0	0	882	882	0.81%	0.81%	0		
Independent Director	Chun-Hsiung Chu	840	840	0	0	0	42	882	882	882	0	0	0	0	0	882	882	0.81%	0.81%	0		

1. **Please Describe the Policy, System, Standard, and Structure of the Remuneration Paid to the Independent Directors and Describe the Relevance Between the Remuneration Amount Paid and Factors, such as their Functions, Risks, and Time Commitment.**

In accordance with the "Management Regulations on the Remuneration of Directors and Functional Committee Members", the Company pays the remuneration of directors and independent directors, which includes Base Compensation (A), Directors Compensation (C) and Allowances (D), the descriptions of which are as follows:

- (1) Base Compensation (A) : Independent directors serve on functional committees such as audit and remuneration. Their responsibilities, risks and time commitment are greater and more important than those of ordinary directors. Therefore, the compensation of director varies depending on the nature.
- (2) Directors Compensation (C): The Company's Articles of Incorporation specify that directors' compensation shall not exceed 1% of the current year's profitability and shall be allocated on a point basis, considering the status of the board members, their duties, board attendance and other contributions. Independent directors shall not participate in the profit distribution.
- (3) Allowances (D): The attendance fees for directors (including independent directors) to attend the Board of Directors' meetings or shareholders' meetings in person.

2. **Except as Disclosed in the Table above, Remuneration to Directors Received for the Service Provided (such as Serving as Non-employee Consultants) to all Companies Listed in the Consolidated Financial Statements in the Most Recent Year: None.**

Note1: Director John Lee resigned on 2022.09.28.

Note2: The directors' compensation (C) and employees' compensation (G) of 2022 was approved by the board of directors on 2023.02.22.

Note3: Profit refers to the profit for the year in the 2022 parent company only financial statements of D-Link Corporation.

✳️ **Table of Remuneration Ranges for the Directors**

Range of Remuneration	Name of the Directors			
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	Joseph Wang, David Tai, Alan Yu, John Lee, Howard Kao, Richard Chen, Richard Lee, Chun-Hsiung Chu, Young Syun Investment Co., Ltd. and Pu Ju Investment Co., Ltd.	Joseph Wang, David Tai, Alan Yu, John Lee, Howard Kao, Richard Chen, Richard Lee, Chun-Hsiung Lee, Chun-Hsiung Chu, Young Syun Investment Co., Ltd. and Pu Ju Investment Co., Ltd.	Joseph Wang, David Tai, Alan Yu, John Lee, Richard Chen, Richard Lee, Chun-Hsiung Chu, Young Syun Investment Co., Ltd. and Pu Ju Investment Co., Ltd.	Joseph Wang, David Tai, Alan Yu, John Lee, Richard Chen, Richard Lee, Chun-Hsiung Chu, Young Syun Investment Co., Ltd. and Pu Ju Investment Co., Ltd.
NT\$1,000,000 (inclusive) to 2,000,000 (exclusive)	Victor Kuo	Victor Kuo	—	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—	Howard Kao	Howard Kao
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	—	—	Victor Kuo	Victor Kuo
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—	—	—
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	11	11	11	11

(II) **Supervisors' Remuneration:** The Company has established the Audit Committee on 2017.04.28.

(III) Remuneration of the President and Vice Presidents

Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)			Total Remuneration (A+B+C+D) and Ratio to Net Income After Tax (%)		Remuneration from Ventures Other than Subsidiaries or from the Parent Company	
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	Cash	Stock	Cash	Stock	The Company		All Companies in the Consolidated Financial Statements
CSO	Victor Kuo Appointed on 2022.03.01													
CEO	CJ Chang													
President	Mark Chen Resigned on 2023.01.06													
Senior Vice President	Sara Cheng													
CFO	Joanne Chen	28,168	30,027	711	711	7,976	7,976	1,386	0	1,386	0	38,241	40,100	0
Vice President	Rita Huang On Leave without pay from 2023.01.10											35.01%	36.71%	
Vice President	Kevin Chung													
Advisor	Fred Fong Resigned on 2022.07.31													

❖ **Table of Remuneration Ranges for the President and Vice Presidents**

Range of Remuneration	Name of the President and Vice Presidents	
	The Company	Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Fred Fong	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Rita Huang	Rita Huang, Fred Fong
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Joanne Chen, Kevin Chung	Joanne Chen, Kevin Chung
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Victor Kuo, CJ Chang, Mark Chen, Sara Cheng	Victor Kuo, CJ Chang, Mark Chen, Sara Cheng
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—
More than NT\$100,000,000	—	—
Total	8	8

❖ **Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers**

Title	Name	Amount in Stock	Amount in Cash	Total	Ratio of Total Amount to Net Income (%)
					2022.12.31; Unit: NT\$ Thousand
Managerial Officers	CSO	Victor Kuo			
	CEO	CJ Chang			
	Senior Vice President	Sara Cheng			
	Vice President	Kevin Chung		1,492	1.37%
	CFO	Joanne Chen	0		
	Deputy Director	Claire Chou			
	Corporate Governance Officer	Wynne Ho			

Note: On 2023.02.22, the Board of Directors resolved that the employees' compensation in 2022 was NT\$7,372 thousand.

(IV) Separately compare and describe total remuneration, as a Percentage of net Income stated in the parent company only financial statements or individual financial statements, as paid by the Company and by all other companies included in the consolidated financial statements in the most recent two years to Directors, Supervisors, President and Vice Presidents of the Company and the analysis and description of remuneration policies, standards, packages and the procedure for determining remuneration, and their correlations with the operating performance and future risk exposure.

1. Policies, Standards, Combinations for Remuneration, and the Correlation with Business Operation Performance and Future Risks:

- (1) The major components of the remuneration of the Directors of the Company are general remuneration and compensation. In accordance with Article 27 of the “Articles of Incorporation” of the Company, the remuneration of the Directors of the Company shall be distributed no more than one percent of the profit for the year. The profit for the year shall refer to the profit before tax for the year less the distribution of employees’ compensation and Directors’ compensation; The remuneration policy of the Directors is based on the “Measures for the Management of the Remuneration of Directors and Functional Committees”, “Rules for Performance Evaluation of Board of Directors” and with reference to the payment level of peer companies, the Company’s operating results and the contribution of the Directors to the Company’s operational objectives. Independent Directors do not participate in profit distribution. The related performance evaluation and the reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is reviewed from time to time in accordance with the actual operating conditions and relevant laws and regulations.
- (2) President and Vice Presidents : Remuneration of the Company’s managerial officers, including President and Vice Presidents, is determined in accordance with the Company’s “Performance Evaluation Management Measures”, with reference to the remuneration level of the industry for the position, the scope of responsibilities of the position, the achievement of the manager’s performance and contribution to the Company’s operational objectives. The main components of the manager’s performance targets are operating objectives including revenue and earnings per share after tax, and other strategic objectives such as brand value and corporate image, corporate governance and corporate sustainability, talent retention and development. According to the manager’s attributes, the proportion of business goals ranges from 40% to 80%, and the proportion of other strategic goals ranges from 20% to 60%. The remuneration package comprises of fixed and variable components, the former is the basic salary of the manager, the latter is mainly bonus and linked to the operating performance of the Company or the center in

which her or she belongs to. If the performance is more excellent, the proportion of this part relative to the salary will be higher. The aforementioned performance appraisal objectives and remuneration of managers, including the President and Vice Presidents, are reviewed and evaluated by the Remuneration Committee, and submitted to the Board of Directors for approval before distribution.

- (3) Future risks : The Company will review the remuneration payment system of the Directors and managerial officers in a timely manner in accordance with the actual operating conditions and requirements of the relevant laws and regulations, with a view to retaining high quality decision-making and managerial level, and with a view to effectively leading the Company's long-term operating performance, avoiding risks resulting from the manager's pursuit of short-term benefits, so as to strike a balance between sustainable operation and risk control.

2. Ratio of Directors, President, and Vice Presidents' Total Remuneration to Net Income after Tax in Recent Two Years:

Title	Ratio of Total Remuneration to Net Income After Tax			
	2022		2021	
	The Company	Consolidated Financial Statements	The Company	Consolidated Financial Statements
Directors	4.82%	4.82%	2.83%	2.83%
President and Vice Presidents	35.01%	36.71%	29.77%	30.42%

IV. Implementation of Corporate Governance

(I) Board of Directors

In 2022 (6 meetings) and 2023 (1 meetings) as of the publication date of this Annual Report, the Company's Board of Directors held a total of 7 meetings; the attendance of Directors is as follows:

Title	Name	Number of Meetings should Attend (A)	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairperson	Young Syun Investment Co., Ltd. Representative: Victor Kuo	7	7	0	100%	
Director	Young Syun Investment Co., Ltd. Representative: Joseph Wang	7	5	2	71%	
Director	Pu Ju Investment Co., Ltd. Representative: David Tai	7	6	1	86%	
Director	Pu Ju Investment Co., Ltd. Representative: Alan Yu	7	6	1	86%	
Director	Howard Kao	7	6	1	86%	
Director	John Lee	5	5	0	100%	Resigned on 2022.09.28
Independent Director	Richard Chen	7	7	0	100%	
Independent Director	Richard Lee	7	7	0	100%	
Independent Director	Chun-Hsiung Chu	7	7	0	100%	

Other Mentionable Items:

- I. **If Any of the Following Circumstances Occur, the Dates, Terms of the Meetings, Contents of Motions, all Independent Directors' Opinions and the Company's Response Should be Specified:**
 - i. **Items Listed in Article 14-3 of the "Securities and Exchange Act":** The Company has established an Audit Committee, so it is not applicable.
 - ii. **Other Matters Involving Objections or Expressed Reservations by Independent Directors that were Recorded or Stated in Writing that Require a Resolution by the Board of Directors:** None.
- II. **If there are Directors' Avoidance of Motions in Conflict of Interest, the Directors' Names, Contents of Motion, Causes for Avoidance and Voting should be Specified:**

Meeting Date (Term and Session)	Proposal	Director Recused	Reason for Recusal	Voting Results
2022.02.22 (14 th meeting of the 12 th term)	Proposal for the appointment of the Company's managerial officers	Victor Kuo	Serves as a managerial officer concurrently at the Company	After the acting chair consulted the attending directors, they agreed to approve it as proposed without objection.
	Proposal for the 2022 performance target plan for managerial officers.	Victor Kuo	Serves as a managerial officer concurrently at the Company	After the acting chair consulted the attending directors, they agreed to approve it as proposed without objection.
	Release of non-competition restrictions for the Directors.	Victor Kuo, Joseph Wang, Howard Kao, David Tai, Alan Yu	Hold other positions concurrently at other companies	Each of the directors explained the important contents of their personal interests and recused themselves

					from the discussion on and resolution of this proposal. After the chair or the acting chair consulted the attending directors, they agreed to approve it without objection.
2023.02.22 (20 th meeting of the 12 th term)	Proposal for evaluation of managerial officers' 2022 performance results.	Victor Kuo	Serves as a managerial officer concurrently at the Company	After the acting chair consulted the attending directors, they agreed to approve it as proposed without objection.	
	Details of allocation of 2022 directors' compensation	Victor Kuo, Joseph Wang, Howard Kao, David Tai, Alan Yu	Discussion of allocation for themselves or the institutional director they represented	After the acting chair consulted the attending directors, they agreed to approve it as proposed without objection.	

III. Implementation Status of Board Evaluations:

On August 12, 2022, the Board of Directors of the Company approved an amendment to the "Rules for Performance Evaluation of Board of Directors", which stipulates that the Board of Directors shall conduct an internal performance evaluation of the Board of Directors, its members, and functional committees at least once a year, and an external evaluation by an external independent institution or a team of external experts and scholars at least once every three years.

(I) External Evaluation of the Board of Directors

In May 2022, the Company appointed the Taiwan Corporate Governance Association, a non-governmental, non-profit and independent corporation that provides professional corporate governance system assessment and the Board of Directors' performance evaluation services in Taiwan, to conduct an evaluation. The association issued an evaluation report on July 7, 2022, and the overall evaluation results were submitted to the Board of Directors on August 12, 2022 for approval and served as a basis for review and improvement. The Scope, method and content of the evaluation are as follow.

Evaluation Cycle	Once every three years
Evaluation Period	2021.06.01~2022.05.31
Scope of Evaluation	The Board of Directors and functional committees of the Company
Evaluation Method	Site visits
Evaluation Items	<ol style="list-style-type: none"> 1. Composition of the Board of Directors 2. Instructions of the Board of Directors 3. Authorization of the Board of Directors 4. Supervision of the Board of Directors 5. Communication of the Board of Directors 6. Internal control and risk management 7. Self-regulation of the Board of Directors 8. Others (such as meetings of the Board of Directors, support systems, etc.)
Suggestions of the association	<ol style="list-style-type: none"> 1. We suggest the Company to further strengthen the existing whistle-blower mechanism by setting up an independent director to receive emails in person or an acceptance unit to receive emails simultaneously. 2. We suggest establishing a "Directors' Handbook" to clearly establish a training system for the new directors to facilitate future implementation. 3. It is recommended to including at least one female director. 4. It is recommended that the Company establishes a training and succession plan for

	<p>senior managers in line with the development vision and strategy as well as the global ESG development trend.</p> <p>5. It is recommended that the Company reviews the design of the questionnaire for the Board of Directors' performance evaluation and adds forward-looking and strategic qualitative indicators.</p>
Implementation status of the Company	<p>1. The Company has communicated with the independent director Mr. Chun-Hsiung Chu, and has simultaneously transferred the whistleblowing mailbox to the independent director Mr. Chu to receive emails in person.</p> <p>2. Directors' Handbook and a training session for new directors are already under planning by Corporate Governance Officer.</p> <p>3. After the re-election of directors in 2023 upon expiry of term of office, at least one female director shall be held on the Board.</p> <p>4. The Company has established the procedure of "Senior Manager Successor Recommendation and Selection Program" and establish a comprehensive training system on November 4, 2022.</p> <p>5. The Company has amended the "Rules for Performance Evaluation of Board of Directors " at the Board of Directors' meeting on August 12, 2022, adding ESG-related qualitative indicators.</p>

(II) Internal Evaluation of the Board of Directors

The results of the Board of Directors' performance evaluation for 2022 were presented to the Board of Directors on February 22, 2023, together with the proposal on improvement measures, which were used as a reference for individual director's compensation and nomination for reappointment. The overall average score of the board performance self-evaluation was 4.91 points (out of 5 points), and the overall average score of individual board members' performance self-evaluation was 4.71 points (out of 5 points), indicating that the Board of Directors is functioning well. In addition, we completed the Audit Committee's, Remuneration Committee's, and the ESG Committee's performance self-evaluations, and the evaluation results all reached 4.50 points (out of 5 points), indicating that the Company's functional committees are functioning and operating well. The evaluation scope, method, and content are as follows:

Evaluation Cycle	Once a year
Evaluation Period	2022.01.01~2022.12.31
Scope of Evaluation	<ol style="list-style-type: none"> 1. Board performance evaluation 2. Board members' performance evaluation 3. Audit Committee 4. Remuneration Committee 5. ESG Committee
Evaluation Method	Internal self-evaluation

Evaluation Items	The board performance evaluation covers six major aspects:	The board members' performance evaluation covers six major aspects:	Functional committees' performance evaluation covers:
	<ol style="list-style-type: none"> 1. Involvement in the Company's operations 2. Improvement to the quality of decision-making by the board 3. Composition and structure of the Board of Directors 4. Directors' election and continuing education 5. Internal control 6. Focus on sustainable management (ESG) 	<ol style="list-style-type: none"> 1. Understanding of the Company goals and tasks 2. Awareness of directors' responsibilities 3. Involvement in the Company's operations 4. Internal relationship management and communication 5. Directors' professionalism and continuing education 6. Internal control 	<ol style="list-style-type: none"> 1. Involvement in the Company's operations 2. Awareness of functional committee members' responsibilities 3. Improvement to the quality of decision-making by functional committees 4. Composition of functional committees and selection of members 5. Internal control (Audit Committee Only)

IV. Measures Taken to Strengthen the Function of the Board and Results Thereof:

- (I) In response to the global minimum tax regime, the PwC tax team was invited to conduct an in-person training course to assist directors in understanding the international and domestic tax-related risks that the Company faces in its operations and relevant response measures. A total of 66 hours of continuing education were provided to directors in 2022.
- (II) We hold important meetings and invite directors to participate in the meetings from time to time, such as product and R&D exchange sessions, in order to increase communication and exchange opportunities among directors and discuss the Company's growth strategies.
- (III) In order to conduct stringent review on the financial statement financial statements, the Company's 2022 interim financial statement and annual financial statement were reviewed by the Audit Committee and then submitted to the Board of Directors for discussion.
- (IV) To enable the independent directors to fully exercise their duties and responsibilities, the independent directors have been arranged to attend separate meetings with the auditors and the certified public accountants on a quarterly basis.

(II) Operations of the Audit Committee

The Audit Committee aims to assist the Board of Directors in overseeing the quality and integrity during the Company's implementation of accounting, auditing, and financial reporting processes, as well as financial controls. The Audit Committee's major tasks in 2022 are as follows:

- Reviewed quarterly financial statements.
- Formulated or amended the internal control system and relevant important measures.
- Assessed the effectiveness of internal control system.
- Regularly communicated the audit report results with the Internal Auditor as per the annual audit plan.
- Audit of transactions in which the Company acquires or disposes of assets, and significant endorsements or guarantees for others.
- Assessed the audit fees, independence, and suitability of CPAs.
- Reviewed investment proposals.
- Handled matters bearing on the personal interest of a director.
- Issuance of equity securities.

In 2022 (6 meetings) and 2023(1 meetings) as of the publication date of this Annual Report, the Company's Audit Committee held a total of 7 meetings; the attendance of Independent Director is as follows:

Title	Name	Number of Meetings Should Attend (A)	Attendance in Person (B)	By Proxy	Attendance Rate (B/A)	Remarks
Independent Director	Richard Chen	7	7	0	100%	Convener
Independent Director	Richard Lee	7	7	0	100%	
Independent Director	Chun-Hsiung Chu	7	7	0	100%	

Other mentionable items:

- I. If any of the Following Circumstances Exists, Specify the Audit Committee Meeting Date, Meeting Session Number, Content of the Motion(s), the Content of any Dissenting or Qualified Opinion or Significant Recommendation of the Independent Directors, the Outcomes of Audit Committee Resolutions, and the Measures Taken by the Company Based on the Opinions of the Audit Committee:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Meeting Date (Term of Meeting)	Proposal	Audit Committee Resolution Results	The Company's Response to the Audit Committee's Opinions
2022.02.22 (The 11 th meeting of the 2 nd term)	<ol style="list-style-type: none"> 1. Proposal for the 2021 Internal Control System Statement. 2. Proposal for independence and suitability evaluation report of the CPAs appointed by the Company for 2022. 3. Proposal for the CPAs' fees for the Company's financial statements and taxation. 4. Proposal for adjustment to D-Link Group's global investment structure. 5. Release of non-competition restrictions for directors. 	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.

	<p>6. Proposal for amendment to the Company's "Group Tax Policy and Management Regulation".</p> <p>7. Proposal for amendment to the Company's "Corporate Social Responsibility Best Practice Principles".</p> <p>8. Proposal for amendment to the "Seal Management Regulations".</p> <p>9. Proposal for amendment to the Company's "Information Security Management Policy".</p>		
	<p>10. Proposal for amendment to the Company's "Corporate Governance Best Practice Principles".</p>	<p>Some provisions of these principles were revised after the discussion by the Independent Directors and then approved by all the Independent Directors without any opinion.</p>	<p>The Board of Directors referred to the Audit Committee's opinion and approved it with the consent of all the Directors present.</p>
<p>2022.03.29 (The 12th meeting of the 2nd term)</p>	<p>1. Proposal for the Company's 2021 business report and financial statements.</p> <p>2. Proposal for the earnings distribution for 2021.</p> <p>3. Proposal for the amendment to the "Articles of Incorporation".</p> <p>4. Proposal for the amendment to the "Regulations Governing the Acquisition and Disposal of Assets".</p>	<p>All Independent Directors agreed to pass it without any opinion.</p>	<p>Submitted to the Board of Directors for a resolution and approved by all the Directors present.</p>
<p>2022.04.12 (The 13th meeting of the 2nd term)</p>	<p>Proposal for issuance of restricted stock awards.</p>	<p>All Independent Directors agreed to pass it without any opinion.</p>	<p>Submitted to the Board of Directors for a resolution and approved by all the Directors present.</p>
<p>2022.05.03 (The 14th meeting of the 2nd term)</p>	<p>1. Proposal for the 2022 Q1 consolidated financial statements.</p> <p>2. Proposal for the amendment to "Internal Audit System and Implementation Rules" and establishment of the "Internal Audit Procedures" and "Internal control system self-assessment operating procedures".</p>	<p>All Independent Directors agreed to pass it without any opinion.</p>	<p>Submitted to the Board of Directors for a resolution and approved by all the Directors present.</p>
<p>2022.08.12 (The 15th meeting of the 2nd term)</p>	<p>1. Proposal for the 2022 Q2 consolidated financial statements.</p>	<p>All Independent Directors agreed to pass it without any opinion.</p>	<p>Submitted to the Board of Directors for a resolution. Except for Director John Lee, Director Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., expressed reservations to this proposal. The proposal was approved by the rest of Directors present.</p>
	<p>2. Proposal for providing endorsement guarantee to 100% indirectly invested subsidiary of the Company.</p>		<p>Submitted to the Board of Directors for a resolution and</p>

	<ol style="list-style-type: none"> 3. Proposal for the amendment to the "Internal Audit Implementation Rules" and "R&D cycle". 4. Proposal for the amendment to the "Budget management policy". 		approved by all the Directors present.
2022.11.04 (The 16 th meeting of the 2 nd term)	<ol style="list-style-type: none"> 1. Proposal for the Company's 2023 annual audit plan. 2. Proposal for the amendment to the "Implementation Measures for the Whistleblowing System". 3. Proposal for the amendment to the "2022 Restricted Stock Award Plan". 4. Proposal for 2022 Q3 consolidated financial statements. 5. Proposal for the new acquisition of right-of-use assets by the subsidiary of the Company. 6. Proposal for cash capital reduction by the subsidiary of the Company. 7. Proposal for the amendment to the "Audit Committee Charter". 8. Proposal for the amendment to the "Risk Management Policies and Procedures". 9. Proposal for the amendment to the "Procedures for Materiality Management and Prevention of Insider Trade". 	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.
2023.02.22 (The 17 th meeting of the 2 nd term)	<ol style="list-style-type: none"> 1. Proposal for the 2022 Internal Control System Statement. 2. Proposal for the Company's 2022 business report and financial statements. 3. Proposal for the earnings distribution for 2022. 4. Proposal for independence and suitability evaluation report of the CPAs appointed by the Company for 2023. 5. Proposal for the appointment of the Company's CPA. 6. Proposal for the CPAs' fees for the Company's financial statements and taxation. 7. Proposal for the establishment of the "Non-Assurance Services Pre-approval Policy". 8. Proposal for the amendment to the "2022 Restricted Stock Award Plan". 9. Proposal for the abolishment and re-establishment of the "Rules and Procedures of Shareholding's Meeting". 10. Proposal for the amendment to the "Operational Procedures for Lending Funds to Others". 11. Proposal for the amendment to the "Operational Procedures for Endorsements and Guarantees". 	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.

(II) Other Matters Which were not Approved by the Audit Committee but were Approved by Two-Thirds or More of all Directors: None.

II. If there are Independent Directors' Avoidance of Motions in Conflict of Interest, the

Directors' Name, Contents of Motion, Causes for Avoidance and Voting should be Specified: There was no recusal due to conflict of interests in 2022.

III. Communication Between the Independent Directors, Chief Internal Auditor, and CPAs (Including Material Items, Methods, and Results of the Company's Finance and Operations):

- (I) The Company's Internal Auditor regularly reports to the Independent Directors alone on the performance of the Company's annual audit plan as well as improvement and tracking of internal control deficiencies on an annual basis. Meanwhile, the Internal Auditor submits an audit report and defect tracking report for the previous month before the end of each month. In the event of a major abnormal incident, the Internal Auditor will immediately report to the Independent Directors. There was no such special situation in 2022, and the communication between the Company's Independent Directors and the Internal Auditor is in good condition.
- (II) The Company's CPAs report the audit or review results of the quarterly financial statement or and other matters required by law to the Independent Directors alone at the quarterly Audit Committee meeting. In the event of a special circumstance, the CPAs will also report to the Independent Directors immediately. There was no such special situation in 2022, and the communication between the Company's Independent Directors and the CPAs is in good condition.
- (III) Communication between Independent Directors and the Internal Auditor, and CPAs:

1. Communication between Independent Directors and the Internal Auditor:

Date	Session of Meeting	Attendee	Communication Focus	Independent Directors' Suggestions and Results
2022.02.22	Audit Committee (2-11)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu Internal Auditor Richard Yang	1. Report on the implementation of the 2021 Q4 audit plan. 2. 2021 Internal Control System Statement.	1. Suggestion: Pay attention to the relevant laws and regulations. All members were informed of the remaining details and reported to the Board of Directors. 2. Approved as proposed without objection and submitted to the Board of Directors for approval.
2022.03.29	Audit Committee (2-12)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu Internal Auditor Richard Yang	1. Report on the implementation of the 2021 Q4 audit plan. 2. The latest implementation status of the audit and reporting items stipulated by laws and regulations. 3. Explain to the Independent Directors the execution and mode of the separate communication meeting.	1. Suggestion: it is required to strengthen the inspection of the storage and use of the seal; reported to the Board of Directors. 2. No opinion. 3. Hold a separate communication meeting before the quarterly regular meeting.
2022.05.03	Audit Committee (2-14)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu Internal Auditor Richard Yang	1. Report on the implementation of the 2022 Q1 audit plan. 2. Explanation of additions and revisions to the internal control system.	No opinion.

Date	Session of Meeting	Attendee	Communication Focus	Independent Directors' Suggestions and Results
2022.08.12	Audit Committee (2-15)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu Internal Auditor Richard Yang	<ol style="list-style-type: none"> Report on the implementation of the 2022 Q2 audit plan. For other operations involving derivative financial instruments, the results of discussions with the responsible units on the proposals are explained. 	<ol style="list-style-type: none"> Mr. Chun-Hsiung Chu, an independent director, confirmed that he had paid attention to and understood during the course of the audit the currencies with unusual ratios for the hedging operations of derivatives in various currencies, and noticed the rest without any comments. No opinion. No opinion.
2022.11.04	Audit Committee (2-16)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu Internal Auditor Richard Yang	<ol style="list-style-type: none"> Report on the implementation of the 2022 Q3 audit plan. The explanation of the preparation of the annual audit plan for 2023. Explanation of the progress of the self-assessment and TIPS project verification and certification for 2022. 	No opinion.
2023.02.22	Audit Committee (2-17)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu Internal Auditor Richard Yang	<ol style="list-style-type: none"> Report on the implementation of the 2022 Q3 audit plan. The latest implementation status of the audit and reporting items stipulated by laws and regulations. The Company issued the 2022 Statement on Internal Control, and the internal auditor explained to the independent directors the change of the signatory (from the President to CEO). 	No opinion.

2. Communication Between Independent Directors and CPAs:

Date	Session of Meeting	Attendee	Communication Focus	Independent Directors' Suggestions and Results
2022.03.29	Audit Committee (2-12)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu CPAs	<ol style="list-style-type: none"> CPAs explained details of the 2021 financial statements audited and key audit matters. CPAs discussed and communicated with the questions raised by the attendees. 	Informed; reported to the Audit Committee and the Board of Directors.

Date	Session of Meeting	Attendee	Communication Focus	Independent Directors' Suggestions and Results
2022.05.03	Audit Committee (2-14)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu CPAs	CPAs explained the key audit matters in the 2022 Q1 financial statements.	Informed; reported to the Audit Committee and the Board of Directors.
2022.08.12	Audit Committee (2-15)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu CPAs	CPAs explained the key audit matters in the 2022 Q2 financial statements.	Informed; reported to the Audit Committee and the Board of Directors.
2022.11.04	Audit Committee (2-16)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu CPAs	CPAs explained the key audit matters in the 2022 Q3 financial statements.	Informed; reported to the Audit Committee and the Board of Directors.
2023.02.22	Audit Committee (2-17)	Independent Director Richard Chen Richard Lee Chun-Hsiung Chu CPAs	CPAs explained the key audit matters in the 2022 financial statements.	Informed; reported to the Audit Committee and the Board of Directors.

(III) Corporate Governance – Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated the “Corporate Governance Best Practice Principles”, which has been disclosed on the Company’s website and the MOPS.
II. Shareholding structure & shareholders’ rights (I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		The Company has appointed a spokesperson and an acting spokesperson, as well as a point of contact for investor relations to handle issues, such as shareholders’ suggestions or disputes. We also fully disclose the contact information on the Company website and regularly report to the Board of Directors on the communication with stakeholders.
(II) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		The Company possesses a list of major shareholders and their ultimate owners and, subject to Article 25 of Securities and Exchange Act, reports any changes in equity held by its internal person (directors, managerial officers, and the major shareholders holding more than 10% of shares).
(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		The Company has formulated relevant measures in the internal control system to establish an appropriate risk control and firewall mechanism.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		None.
III. Composition and Responsibilities of the Board of Directors (I) Have a diversity policy and	✓		None.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
specific management objectives been adopted for the board and have they been fully implemented?		<p>composition of the Board of Directors shall be diversified, and the elected Directors are from different professional backgrounds and fields of work, which can improve the structure of the Board of Directors of the Company.</p> <ul style="list-style-type: none"> ◇ The current Board of the Company comprises 8 Directors with different professional backgrounds, including accountants, lawyers and a number of talents in the industry. There are 3 Independent Directors, accounting for 37.5% of the total number of directors. ◇ Every Director has completed at least a 3-hour course in 2022 and is encouraged to continue their studies to keep abreast of their knowledge and enhance their decision-making abilities. ◇ After the re-election of directors in 2023, at least one female director shall be held on the board is set to achieve the policy of gender equality and diversity and continuously improve corporate governance. 	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓	<p>The Company has established an ESG Committee on February 2, 2021, which is responsible for fulfilling corporate sustainable development and improving corporate governance to achieve the goal of sustainable operation.</p>	None.
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and	✓	<ul style="list-style-type: none"> ◇ The Company’s Board of Directors has approved the “Rules for Performance Evaluation of Board of Directors” on August 12, 2022, stipulating that the Board of Directors should perform performance evaluations for the Board of Directors and its members at least once a year, and perform external evaluations at least every three years by an external independent agency or a team of external experts and 	None.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?		<p>scholars.</p> <p>◇ The Taiwan Corporate Governance Association was appointed in May 2022 to conduct an external evaluation of the Board of Directors' performance. The association issued an evaluation report on July 7, 2022, and the overall evaluation results were submitted to the Board of Directors on August 12, 2022 for approval and as the basis of review and improvement.</p> <p>◇ The results of the Board of Directors' performance evaluation for 2022 were presented to the Board of Directors on February 22, 2023, together with the proposal on improvement measures, which were used as a reference for individual director's compensation and nomination for reappointment.</p> <p>◇ Please refer to page 38 for the evaluation results of the Board of Directors' Performance.</p>	
(IV) Does the Company regularly evaluate its certified public accountants independence?	✓		None.
		<p>The Company regularly evaluates the independence and suitability of the certified public accountants. The most recent evaluation was approved by the Audit Committee and the Board of Directors on February 22, 2023. In addition to the evaluation by reference to the 13 indicators in the five major aspects of the “Audit Quality Indicators (AQIs)” published in the Corporate Governance Roadmap 3.0, the certified public accountants also submitted independent statements and self-assessment forms. The evaluation criteria are as follows:</p> <ol style="list-style-type: none"> 1. As of the last audit, there is no such a situation that CPA has not been replaced for seven years. 2. The CPA is not involved in material interests with the client. 3. Any inappropriate relations with the client are avoided. 	

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
			<p>4. The CPA ensures the honesty, impartiality, and independence of their assistants.</p> <p>5. The CPA avoids auditing the financial statements of the organization(s) where they served in the last two years.</p> <p>6. The CPA avoids their name being used by others.</p> <p>7. The CPA does not hold the shares of the Company and its affiliates.</p> <p>8. The CPA is not involved in loans with the Company and its affiliates.</p> <p>9. The CPA is not involved in joint investment or sharing interests with the Company and its affiliates.</p> <p>10. The CPA does not hold a full-time job with a fixed regular payment at the Company and its affiliates.</p> <p>11. The CPA is not involved in management at the Company and its affiliates.</p> <p>12. The CPA is not concurrently operating other businesses that may cause them to lose their independence.</p> <p>13. The CPA is not a spouse, lineal relative, or direct relative by marriage of any management personnel person at the Company.</p> <p>14. The CPA does not charge any business-related commissions.</p> <p>15. As of today, the CPA has not been punished nor their independence has been undermined.</p>
IV. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer	✓		None.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?			<p>the Directors for the execution of their business, to collect information on the latest regulatory developments in relation to the operation of the Company, to assist the Directors’ compliance, to assist the Directors in their appointment and continuous training.</p> <p>✧ Implementation status of the Corporate Governance Officer in 2022:</p> <ol style="list-style-type: none"> 1. Reporting to the board of directors, directors, and the functional committees on the status of corporate governance practices and ensuring that shareholders and board meetings are called in compliance with the applicable regulations and corporate governance principles. 2. Held 6 board meetings, 6 Audit Committee meetings, and 1 ESG Committee meetings. The above meetings give a minimum of 7-day notice to all directors to attend a meeting and provide sufficient materials for the directors to familiarize themselves with the motions. 3. Inspecting the disclosure of material information passed by the board of directors after a board meeting or shareholders meeting in order to ensure the legality and accuracy of said material information and protect parity of investor information. 4. Keeping board members informed of the latest changes and developments in laws and regulations relevant to the Company’s field and corporate governance. 5. Report to the ESG Committee for the implementation of the Company’s risk management operations and plans, and the ESG Committee reports to the board of directors for the implementation status to ensure the implementation of

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?			
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		None.
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		None.
(II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		None.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(III) Does the Company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	✓		<p>on the Market Observation Post System in accordance with the Securities and Exchange Act.</p> <ul style="list-style-type: none"> ✧ The Company's consolidated and individual financial statements in 2021 were discussed and approved by the Audit Committee and the Board of Directors on March 29, 2022, and were announced and reported on the Market Observation Post System on the same day. ✧ The financial statements for the first, second and third quarters of 2022 were announced and reported on the Market Observation Post System after discussion and approval by the Audit Committee and the Board of Directors prior to the prescribed deadline. ✧ The Company announced and reported its operations for each month of 2022 on the Market Observation Post System in accordance with the prescribed deadline.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and	✓		<p>Employee rights and employee care: As the Company has attached great importance to labor-management harmony and employee' rights and benefits since the establishment, our labor-management relations have been harmonious and positive. We hold labor-management meetings regularly every quarter to discuss labor-management issues and reach consensus through communication. The Company started the "Appointment with Supervisor" event at the end of 2022. Through this activity, employees can interact with senior executives and directly express their ideas and opinions. For details of employee rights and implementation of employee care, please refer to the descriptions of "Labor Relations" and</p>

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
<p>risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?</p>		<p>No</p>	<p>"Implementation of Sustainable Development" in the Annual Report.</p> <ul style="list-style-type: none"> ❖ Investor relations: The Company has set up a section dedicated to investor on the website, which provides investors with real-time company information, such as company information, financial information, stock information, and investor events. ❖ Supplier relationship: The Company has formulated the Supplier Management Regulations and the Supplier Management Procedures to manage the promotion and termination of partnership with suppliers. Our Quality Control and Procurement Departments conduct supplier evaluations. ❖ Stakeholders' rights: The Company has set up section and personnel dedicated to stakeholders on the website. With that, relevant dedicated personnel may establish appropriate communication channels with stakeholders and report to the Board of Directors on a regular basis. ❖ Directors' continuing education: The Company's Directors received a total of 66 hours of continuing education in 2022. ❖ Implementation of the risk management policy and the risk assessment standards: The Company convened the ESG Committee to report the current year's risk management operations on November 2, 2022 and the "Risk Management Policies and Procedures" approved by the Board of Directors on November 4, 2022. ❖ Implementation of the client policy: The Company conducts its business activities in a fair and transparent manner in accordance with the Ethical Corporate Management Best

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>Practice Principles, considers the legitimacy of agents, customers or other business counterparties and whether they are involved in unethical conduct before entering into business transactions, as well as avoids dealing with parties involved in unethical conduct. In addition, the contracts entered into between the Company and its agents, customers or other business counterparties include the provisions for compliance with the ethical corporate management policies and for termination or cancellation of the contracts at any time if the counterparties are involved in unethical conduct.</p> <p>✧ The Company's purchase of liability insurance for directors:</p> <p>The Company has purchased liability insurance for all directors with an insured amount of US\$10 million, with the insurance period from December 31, 2022, through December 31, 2023, and reported on the insured amount, coverage, and premium rates of directors' liability insurance to the Board of Directors on February 22, 2023.</p>	
<p>IX. Please Describe Improvements that Have Already been Made Based on the Corporate Governance Evaluation Results Released for the Most Recent Fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and Specify the Priority Enhancement Objectives and Measures Planned for any Matters still Awaiting Improvement:</p> <p>(I) The Board of Directors amended the "Corporate Governance Best Practice Principles" on February 22, 2022, and the "Procedures for Materiality Management and Prevention of Insider Trade" on November 4, 2022, both of which stipulated that directors and insiders are prohibited from trading their shares during the closed period of 30 days prior to the announcement of the annual financial statement and 15 days prior to the announcement of the quarterly financial statement in order to strengthen the prevention of insider trading requirements.</p> <p>(II) The Company has included functional committees in the scope of the Board performance evaluation since 2020 and submitted the 2022 Board performance evaluation results that are reasonably linked with the remuneration of directors (including functional committees) to the Board of Directors on February 22, 2023.</p> <p>(III) In order to improve the management of intellectual property, we introduced and passed the Taiwan Intellectual Property Management System (TIPS) Level</p>			

X. The Directors of the Company Have Attended Relevant Training Courses and the 2022 Years of Training for Directors are as Follows:

Title	Name	Date of Course	Name of Course	Conducting Entity	Course Duration
Chairperson	Victor Kuo	2022.08.12	The Impact of the Global anti-Base Erosion Rules and Taiwan's Anti-Avoidance System on Corporate Tax Governance from a Director's Perspective	Taiwan Corporate Governance Association	3
		2022.10.05	2022 Webinars: Regulations for Disposal of Stocks for Insiders	Securities & Futures Institute (SFI)	3
Director	Howard Kao	2022.06.02	Technology Development and Business Opportunities of Electric Vehicles and Smart Cars	Securities & Futures Institute (SFI)	3
		2022.07.13	Under the Threat of Ransomware, the Legality of Cyber Security Management Act	Securities & Futures Institute (SFI)	3
Director	Joseph Wang	2022.05.05	Analysis of Taiwan's Anti-Avoidance System (CFC, PEM and CRS), the Impact on Wealth Inheritance and the Response	Taiwan Corporate Governance Association	3
		2022.05.11	Concepts, Practices and Tools of Group Tax Governance	Securities & Futures Institute (SFI)	3
		2022.08.04	From ESG Investment and Financing to Corporate Sustainability Transition	Taiwan Corporate Governance Association	3
		2022.08.10	External innovation and sustainable management	Securities & Futures Institute (SFI)	3
Director	David Tai	2022.12.22	Enterprises Face the Risks and Crises Caused by the Digitization	Taiwan Corporate Governance Association	3
Director	Alan Yu	2022.08.12	The Impact of the Global anti-Base Erosion Rules and Taiwan's Anti-Avoidance System on Corporate Tax Governance from a Director's Perspective	Taiwan Corporate Governance Association	3
		2022.09.26	2023 Global Economic and Industrial Outlook	Chinese National Association of Industry and Commerce	3
Independent Director	Richard Chen	2022.03.09	Leadership Academy Forum: Reactivating under the new reality - seeing the new digital Taiwan	KPMG & Taiwan Institute of Directors (TWIOD)	3
		2022.04.07	Case Analysis of Financial Statement Fraud and How to See Key Information in Financial Statements	Accounting Research and Development Foundation	3
Independent Director	Richard Lee	2022.03.09	Leadership Academy Forum: Reactivating under the new reality - seeing the new digital Taiwan	KPMG & Taiwan Institute of Directors (TWIOD)	3
		2022.07.05	2030 / 2050 Green Industrial Revolution	Taiwan Corporate Governance Association	3
		2022.07.19	Let's meet the new world of Net-zero	Taiwan Corporate Governance Association	3
		2022.08.04	From ESG Investment and Financing to Corporate Sustainability Transition	Taiwan Corporate Governance Association	3
		2022.08.12	The Impact of the Global anti-Base Erosion Rules and Taiwan's Anti-Avoidance System on Corporate Tax	Taiwan Corporate Governance Association	3

			Governance from a Director's Perspective		
Independent Director	Chun-Hsiung Chu	2022.05.05	Analysis of Taiwan's Anti-Avoidance System (CFC, PEM and CRS), the Impact on Wealth Inheritance and the Response	Taiwan Corporate Governance Association	3
		2022.08.12	The Impact of the Global anti-Base Erosion Rules and Taiwan's Anti-Avoidance System on Corporate Tax Governance from a Director's Perspective	Taiwan Corporate Governance Association	3
		2022.11.15	ESG New Economy and New Opportunities for Enterprise Transition	Securities & Futures Institute (SFI)	3
		2022.11.16	How the Board of Directors Use OKR to Improve Corporate Governance Efficiency	Securities & Futures Institute (SFI)	3
		2022.12.13	The Opportunities and Risks In the Digital Era	Taiwan Corporate Governance Association	3

XI. Succession Planning and Operation of Board Members and Key Management:

(I) Succession Planning and Operation of Board Members and Key Management

1. The structure of the Company's Board of Directors shall be decided in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs. The Company has stipulated in the "Articles of Incorporation" and "Rules for Election of Directors" that the election of Directors shall be based on the candidate nomination system in full compliance with Article 192-1 of the Company Act. In addition, the "Corporate Governance Best Practice Principles" stipulates that the composition of the board shall be considered in terms of diversity and that a diversity policy shall be formulated in respect of the operation, operation type and development needs of the Company.
2. The Company has established a database of candidates for Directors based on the following criteria to plan for the succession of directors :
 - (1)"Entrepreneurial, responsible, honest and valuing teamwork", which is in line with the Company's core values and in line with the Company's medium to long-term development strategy.
 - (2)Familiar with the industry to which the Company belongs and has relevant experience in the industry.
 - (3)His or her joining will continuously provide the Company with an effective, synergistic, diverse and tailored board with the target is to have at least one female director.
 - (4)Has professional knowledge and skills required for the operation of the Company, covering corporate strategy, accounting and tax, finance, legal, management and international market perspective.
3. The Company continues to promote the entry of management professionals into the Board of Directors or the boards of overseas subsidiaries, so that they are familiar with the operations of the board and the overseas business of the group, as well as the industry experience and decision-making ability, so as to form a succession team for the directors.
4. The Company has also set forth the "Rules for Performance Evaluation of Board of Directors" to ensure the effectiveness in the operation of the Board and evaluate the performance of Directors by evaluation items of performance evaluation, including the alignment of the goals and missions of the Company, awareness of the duties,

participation in the operation, management of internal relationship and communication, professionalism and continuing education, internal control and expression of specific opinion, which will be the future reference in the selection of directors.

(II) Key Management Succession Planning and Operation

1. For the sustainable development of the Company, the Board of Directors approved the "Succession Planning for Senior Manager" in 2022 to establish a talent selection mechanism to identify potential successors at key management levels, and then build a succession team through a training mechanism to improve corporate governance and operational performance. The Company regularly promotes internal talents and gives priority to internal promotion for management positions. For the succession planning of key management, in addition to inventory and selection of potential successors, performance appraisal is performed on a regular basis, which is complemented with the guidelines of planning and mentors for individual development, to assist them to effectively enhance their ability to shift and shorten their succession schedule.
2. The Company has established a comprehensive position agent system, arranging agents of key management personnel to perform their duties and increasing their experience to strengthen the senior decision-making and management capabilities.
3. The Company arranges the management personnel to attend the board meetings and participate in regular important operating management meetings. It also assigns the management personnel to serve on the boards of overseas subsidiaries to enhance their functions from corporate governance, board operations, corporate operating practices, etc., and participate in the vision and strategic direction of the group in order to hold important management positions in the future.

(IV) Composition, Responsibilities, and Operations of the Remuneration Committee

1. Information of Remuneration Committee Members

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Title (Note 1)	Name			
Convener/ Independent Director	Richard Lee	Mr. Richard Lee graduated from the Institute of China and Asia-Pacific Studies, National Sun Yat-sen University. He used to be the district court chief judge and chief justice. He has extensive experience in court proceedings as a legal specialist. He has served as a Congressional Assistant in the Legislative Yuan, writing interpellation papers for legislators and assisting in handling public petitions. He possesses cross-disciplinary conceptual and analytical thinking, information consolidation and crisis management skills. In addition, he is also a partner of a law firm and is responsible for the firm's operational guidelines and business execution. Therefore, he has met the professional qualifications for an independent director. He is also the convener of the Company's Remuneration Committee and a member of the Audit Committee and the ESG Committee.	Mr. Richard Lee was elected as an Independent Director by the shareholders' meeting. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that he as an Independent Director can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	3
Independent Director	Richard Chen	Mr. Richard Chen graduated from the Department of Accounting, Chinese Culture University. In addition to passing the Senior Professional and Technical Examination for Certified Public Accountants, he obtained the securities analyst and the land administration agent licenses, with accounting professional and financial analysis capabilities. Therefore, he has met the professional qualifications for an independent director. He is also the convener of the Company's	Mr. Richard Chen was elected as an Independent Director by the shareholders' meeting. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that he as an independent director can	3

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Title (Note 1)	Name			
		Audit Committee and a member of the Remuneration Committee and the ESG Committee.	independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	
Independent Director	Chun-Hsiung Chu	<p>Mr. Chun-Hsiung Chu graduated from the master's program, School of Law, National Chung Hsing University. He has practiced as an attorney for more than 30 years with profound legal expertise. He has participated in the evaluation and operation of large-scale projects of customers in terms of integrated finance, law, technology, management, and risk, such as the information and communication software and hardware construction project of the Terminal Three of Taoyuan International Airport and the military procurement project of the Ministry of National Defense, with cross-disciplinary conceptual and analytical thinking, information consolidation and crisis management skills. Therefore, he has met the professional qualifications for an independent director. He has long served as a member of the Neighborhood Committee of the Ministry of National Defense, and is responsible for assisting each township in using the funds donated by the Ministry of National Defense for the sustainable work of general construction and regional revitalization in each township. He can provide professional advice on the sustainable development of the Company from different perspectives. Therefore, he is also the convener of the Company's CSR Committee</p>	<p>Mr. Chun-Hsiung Chu was elected as an Independent Director by the shareholders' meeting. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that he as an independent director can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.</p>	2

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Title (Note 1)	Name			
		and a member of the Audit Committee and the Remuneration Committee.		
Member	Chien Yang	Dr. Chien Yang graduated from Computer Science, University of Washington. He is an emeritus professor at the National Yang Ming Chiao Tung University. He used to be a professor at the Institute of Business and Management and the executive of EMBA, National Chiao Tung University. He specializes in strategic management, technology management, and human resource management, and has met the provisions of Article 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".	Mr. Chien Yang has extensive academic and career experience. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that he can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	4
Member	Shu-Fen Wang	Dr. Shu-Fen Wang graduated from the University of Houston in the United States, majoring in financial management, and is currently an associate professor at the Institute of Finance, National Yang Ming Chiao Tung University. She has engaged in education for nearly 30 years. She specializes in corporate value analysis, business merger and acquisition issues, and financial management, and has met the provisions of Article 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".	Ms. Shu-Fen Wang has extensive academic and career experience. The Company obtained a written statement from her, confirming that she complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that she can independently exercise her powers and make decisions, through her professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	2

2. Duties of Remuneration Committee

The Remuneration Committee is operated in accordance with the "Remuneration Committee Charter." The main duties of this committee are described as follows:

- (1) Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of Directors and managerial officers.
- (2) Regularly review and stipulate the salaries and remunerations of Directors and managerial officers.
- (3) Review and recommend the Board's remuneration package for long-term incentive and talent retention.

3. Operations of Remuneration Committee

- (1) The Remuneration Committee is composed of 5 members.
- (2) Term of office of the 4th Committee: From 2020.07.10 to 2023.06.14, the Remuneration Committee held 4 meetings in 2022 and held 1 meeting prior to the publication deadline of the Annual Report for 2023. The Remuneration Committee held a total of 5 meetings on 2022.02.22, 2022.03.29, 2022.08.12, 2022.11.02 and 2023.02.22 respectively. The attendance of the members are as follows:

Title	Name	Number of Meetings should Attend (A)	Attendance in Person (B)	By Proxy	Actual Attendance Rate (B/A)	Remarks
Independent Director	Richard Lee	5	5	0	100%	Convener
Independent Director	Richard Chen	5	5	0	100%	
Independent Director	Chun-Hsiung Chu	5	5	0	100%	
Member	Chien Yang	5	5	0	100%	
Member	Shu-Fen Wang	5	5	0	100%	

Other Mentionable Items:

- I. **If the Board of Directors Declines to Adopt or Modifies a Recommendation of the Remuneration Committee, it Should Specify the Date of the Meeting, Session, Content of the Motion, Resolution by the Board of Directors, and the Company's Response to the Remuneration Committee's Opinion (e.g., the Remuneration Passed by the Board of Directors Exceeds the Recommendation of the Remuneration Committee, the Circumstances and Cause for the Difference Shall be Specified):** None.
- II. **Resolutions of the Remuneration Committee Objected to by Members or Expressed Reservations and Recorded or Declared in Writing, the Date of the Meeting, Session, Content of the Motion, all Members' Opinions and the Response to Members' Opinion Should be Specified:** None.

4. The Discussion Items and Resolution Results of the Remuneration Committee in the Most Recent Year, and the Company's Handling of Members' Opinions:

Remuneration Committee Date and Session	Proposal	Resolution	Company's Response Regarding the Remuneration Committee's Opinions
2022.02.22 The 8 th meeting of the 4 th term	<ol style="list-style-type: none"> 1. Proposal for the appointment of the Company's managerial officers. 2. Proposal for the 2022 performance target plan for managerial officers. 3. Proposal for ratification of the employee remuneration and bonuses to the Company's managerial officers (Assistant Vice Presidents or above). 4. Proposal for the amendment to the "Management Regulations on the Remuneration of Directors and Functional Committee Members". 	Approved by all members present and submitted to the Board of Directors for discussion.	None
2022.03.29 The 9 th meeting of the 4 th term	Proposal for 2021 employees' and Directors' compensation distribution.	Approved by all members present and submitted to the Board of Directors for discussion.	None
2022.08.12 The 10 th meeting of the 4 th term	Reported matter: The details of allocation of 2021 directors' compensation.		None
	<ol style="list-style-type: none"> 1. Details of allocation of 2021 employees' compensation for managerial officers. 2. Proposal for the 2021 bonus for the general manager of the Pan-European business group. 3. Proposal for the amendment to the "Management Regulations on the Remuneration of Directors and Functional Committee Members". 4. Proposal for the amendment to the "Rules for Performance Evaluation of Board of Directors". 	Approved by all members present and submitted to the Board of Directors for discussion.	None
2022.11.02 The 11 th meeting of the 4 th term	1. Proposal for reviewing policies, systems, structures and standards of the Company's	Approved by all members present and submitted to	None

Remuneration Committee Date and Session	Proposal	Resolution	Company's Response Regarding the Remuneration Committee's Opinions
	<p>Directors and managerial officers' performance evaluation and remuneration.</p> <p>2. Proposal for the adjustment of the managerial officers' 2022 performance indicators (CEO and President).</p> <p>3. Proposal for the establishment of the "Succession Planning for Senior Manager".</p>	<p>the Board of Directors for discussion.</p>	
<p>2023.02.22 The 12th meeting of the 4th term</p>	<p>1. Proposal for evaluation of managerial officers' 2022 performance results.</p> <p>2. Proposal for 2022 employees' and Directors' compensation distribution.</p> <p>3. The details of allocation of 2022 directors' compensation.</p>	<p>Approved by all members present and submitted to the Board of Directors for discussion.</p>	<p>None</p>

(V) Operations of the ESG Committee

1. Information on the Members of the ESG Committee

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an ESG Committee Member
Title (Note 1)	Name			
Convener/ Independent Director	Chun-Hsiung Chu	<p>Mr. Chun-Hsiung Chu graduated from the master's program, School of Law, National Chung Hsing University. He has practiced as an attorney for more than 30 years with profound legal expertise. He has participated in the evaluation and operation of large-scale projects of customers in terms of integrated finance, law, technology, management, and risk, such as the information and communication software and hardware construction project of the Terminal Three of Taoyuan International Airport and the military procurement project of the Ministry of National Defense, with cross-disciplinary conceptual and analytical thinking, information consolidation and crisis management skills. Therefore, he has met the professional qualifications for an independent director. He has long served as a member of the Neighborhood Committee of the Ministry of National Defense, and is responsible for assisting each township in using the funds donated by the Ministry of National Defense for the sustainable work of general construction and regional revitalization in each township. He can provide professional advice on the sustainable development of the Company from different perspectives. Therefore, he is also the convener of the Company's CSR Committee and a member of the</p>	<p>Mr. Chun-Hsiung Chu was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In addition, he is not concurrently serving as an independent director of other companies with similar business or financial transactions. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.</p>	0

Qualification		Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an ESG Committee Member
Title (Note 1)	Name			
		Audit Committee and the Remuneration Committee.		
Independent Director	Richard Chen	Mr. Richard Chen graduated from the Department of Accounting, Chinese Culture University. In addition to passing the Senior Professional and Technical Examination for Certified Public Accountants, he obtained the securities analyst and the land administration agent licenses, with accounting professional and financial analysis capabilities. Therefore, he has met the professional qualifications for an independent director. He is also the convener of the Company's Audit Committee and a member of the Remuneration Committee and the ESG Committee.	Mr. Richard Chen was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In addition, he is not concurrently serving as an independent director of other companies with similar business or financial transactions. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	0
Independent Director	Richard Lee	Mr. Richard Lee graduated from the Institute of China and Asia-Pacific Studies, National Sun Yat-sen University. He used to be the district court chief judge and chief justice. He has extensive experience in court proceedings as a legal specialist. He has served as a Congressional Assistant in the Legislative Yuan, writing interpellation papers for legislators and assisting in handling public petitions. He possesses cross-disciplinary conceptual and analytical thinking, information consolidation	Mr. Richard Lee was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In addition, he is	1

Title (Note 1)	Name	Qualification	Professional Qualifications, Experience and Ability	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an ESG Committee Member
			and crisis management skills. In addition, he is also a partner of a law firm and is responsible for the firm's operational guidelines and business execution. Therefore, he has met the professional qualifications for an independent director. He is also the convener of the Company's Remuneration Committee and a member of the Audit Committee and the ESG Committee.	not concurrently serving as an independent director of other companies with similar business or financial transactions. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	

2. Duties of the ESG Committee

The committee assists the Board of Directors in continuously fulfilling the corporate social responsibility and improving corporate governance for sustainable operation. Its responsibilities and powers should include the matters below:

- (1) Formulate annual plans and strategy for sustainable development.
- (2) Formulate sustainable development projects and activity plans.
- (3) Track and review the implementation and effectiveness of the Company's sustainable development annual plan, strategy, project, and activity plan, and report to the board of directors at least once a year.
- (4) Other matters to be handled by the Committee upon resolution of the Board of Directors.

3. Operations of the ESG Committee

- (1) The Remuneration Committee is composed of 3 members.
- (2) Term of office of the 1st Committee: From 2021.02.02 to 2023.06.14, the ESG Committee held 1 meeting (A) in the most recent year 2022.11.02. The attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (B/A)	Remarks
Independent Director	Chun-Hsiung Chu	1	0	100%	Convener
Independent Director	Richard Chen	1	0	100%	
Independent Director	Richard Lee	1	0	100%	

4. ESG Committee’s Important Reports and Resolutions

Date (Session of Meeting)	Important Reports and Discussions	Resolution
2022.11.02 (1-2)	<p>[Reports]</p> <ol style="list-style-type: none"> 1. Implementation status of Intellectual Property Management in 2022. 2. Greenhouse Gas Inventory and Disclosure Planning Report in 2022. 3. Implementation status of the Company's sustainable development in 2022. 4. Implementation status of risk management in 2022. 5. Stakeholder engagement and communication result in 2022. 6. The Company's ESG strategic objective. 	No opinion; reported to the Board of Directors.
	<p>[Discussion]</p> <ol style="list-style-type: none"> 1. Proposal for the amendment to the “Human Rights Policy and Management Plan”. 	All Independent Directors agreed to pass it without any opinion and submitted to the Board of Directors for resolutions.
	<ol style="list-style-type: none"> 2. Proposal for the amendment to the Company’s “ESG Committee Charter”. 	It is recommended that the Company establish the organizational structure and responsibilities of the ESG Office. All Independent Directors agreed to pass it without any opinion and submitted to the Board of Directors for resolutions.
	<ol style="list-style-type: none"> 3. Proposal for changing the convener of the first term of the ESG Committee. 	All Independent Directors agreed that Chun-Hsiung Chu be the convener of ESG Committee without any opinion.

(VI) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
<p>I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of Directors authorized senior management to handle related matters under the supervision of the board?</p>	✓		<p>None.</p>
			<p>✧ The Board of Directors, on February 2, 2021, approved the establishment of an ESG Committee, which is responsible for assisting the Board of Directors in promoting sustainable corporate development in order to achieve the goal of sustainable operation. Its responsibilities include the formulation of annual plans, strategy, projects and activity plans for sustainable development, as well as the tracking and review of implementation effectiveness, and reporting to the Board of Directors at least once a year.</p> <p>✧ The Board of Directors pays attention to the report of sustainable development, assesses the feasibility of strategies, examines the progress of each project, and reminds the management team to adjust when necessary.</p> <p>✧ The ESG Committee is composed of three independent directors, namely Mr. Chun-Hsiung Chu, Richard Chen, and Richard Lee. Please refer to page 68 of the Annual Report for the background, operation, and current year’s performance of the members.</p> <p>✧ The Company held the second ESG Committee meeting on November 2, 2022. The implementation results of sustainable development, strategy and management policies for ESG issues, and revisions of ESG policies were reported to the Board of Directors on November 4, 2022.</p> <p>✧ In response to the significant ESG issues, the Company has set the following strategic objectives for the short (2022-2023), medium (2023-2026) and long (2026-2031) term of ESG strategic goals as shown in the following table, and plans to report to the Board of Directors in the first half of 2023.</p>

Evaluation Item	Implementation status		Summary Description	Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons														
	Yes	No																
			<p>1. Environmental:</p> <table border="1"> <thead> <tr> <th>Term</th> <th>Strategy</th> </tr> </thead> <tbody> <tr> <td>Short-Term</td> <td>Proactively respond and improve CDP results. Planning to commit to net-zero emission targets. Set promotion indicators and goals according to TCFD results.</td> </tr> <tr> <td>Long-Term</td> <td>Acquired ISO 50001 (Energy Management System) Obtained ISO 14025 (EPD third product environmental declaration) Complete the carbon inventory and verification of consolidated subsidiaries. Set overall carbon reduction target of the supply chain and assist in carbon reduction.</td> </tr> </tbody> </table> <p>2. Governance:</p> <table border="1"> <thead> <tr> <th>Term</th> <th>Strategy</th> </tr> </thead> <tbody> <tr> <td>Short-Term</td> <td>Continue to improve corporate governance evaluation results. Ensure sustainability to promote the effective operation of the organization, set ESG goals, and implement plans. Introduce TIPS. Establish a complete whistle-blower process.</td> </tr> <tr> <td>Medium-Term</td> <td>Establish an enterprise risk management system. Establish supplier sustainability audit and risk assessment.</td> </tr> <tr> <td>Long-Term</td> <td>Incorporate suppliers' ESG performance into the supplier selection system.</td> </tr> </tbody> </table>	Term	Strategy	Short-Term	Proactively respond and improve CDP results. Planning to commit to net-zero emission targets. Set promotion indicators and goals according to TCFD results.	Long-Term	Acquired ISO 50001 (Energy Management System) Obtained ISO 14025 (EPD third product environmental declaration) Complete the carbon inventory and verification of consolidated subsidiaries. Set overall carbon reduction target of the supply chain and assist in carbon reduction.	Term	Strategy	Short-Term	Continue to improve corporate governance evaluation results. Ensure sustainability to promote the effective operation of the organization, set ESG goals, and implement plans. Introduce TIPS. Establish a complete whistle-blower process.	Medium-Term	Establish an enterprise risk management system. Establish supplier sustainability audit and risk assessment.	Long-Term	Incorporate suppliers' ESG performance into the supplier selection system.	
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Long-Term	Incorporate suppliers' ESG performance into the supplier selection system.																	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons																						
	Yes	No		Summary Description																					
		<p>3. Social:</p> <table border="1"> <thead> <tr> <th>Term</th> <th>Strategy</th> </tr> </thead> <tbody> <tr> <td>Short-Term</td> <td>Promote Human Rights Due Diligence.</td> </tr> <tr> <td>Medium-Term</td> <td>Drive employee engagement surveys.</td> </tr> <tr> <td>Long-Term</td> <td>Formulate a talent development plan or reserve cadre plan for key positions.</td> </tr> <tr> <td>Long-Term</td> <td>Promote sustainable human rights risk assessment.</td> </tr> </tbody> </table> <p>4. Sustainable Products:</p> <table border="1"> <thead> <tr> <th>Term</th> <th>Strategy</th> </tr> </thead> <tbody> <tr> <td>Short-Term</td> <td>Promote and optimize sustainable product development and design planning.</td> </tr> <tr> <td>Short-Term</td> <td>Draw up a marketing activities plan for sustainable products.</td> </tr> <tr> <td>Medium-Term</td> <td>Formulate sustainable product operation goals.</td> </tr> <tr> <td>Medium-Term</td> <td>Establish the influence of D-Link’s sustainable products, and hold relevant publicity, seminars, and strategic alliances.</td> </tr> <tr> <td>Long-Term</td> <td>Continue to deepen the influence of D-Link’s sustainable products in Taiwan and abroad.</td> </tr> </tbody> </table>	Term	Strategy	Short-Term	Promote Human Rights Due Diligence.	Medium-Term	Drive employee engagement surveys.	Long-Term	Formulate a talent development plan or reserve cadre plan for key positions.	Long-Term	Promote sustainable human rights risk assessment.	Term	Strategy	Short-Term	Promote and optimize sustainable product development and design planning.	Short-Term	Draw up a marketing activities plan for sustainable products.	Medium-Term	Formulate sustainable product operation goals.	Medium-Term	Establish the influence of D-Link’s sustainable products, and hold relevant publicity, seminars, and strategic alliances.	Long-Term	Continue to deepen the influence of D-Link’s sustainable products in Taiwan and abroad.	
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<p>II. Does the Company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Company’s operations in accordance with the materiality principle, and formulate relevant</p>	✓	<p>✧ The Company’s risk assessment boundary of ESG is based on its main operating base – Taiwan. The ESG Committee conducts analysis based on the materiality principle of the sustainability report, communicates with internal and external stakeholders, evaluates ESG issues of materiality, and formulates risk management policies for effective identification, measurement, evaluation, monitoring and control, and takes specific action plans to reduce the impact of related risks.</p>	None.																						

Evaluation Item	Implementation status		Summary Description	Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons									
	Yes	No											
<p>risk management policies or strategies?</p>			<p>◇ Based on the assessed material topics and risks, the following management policies are formulated:</p> <p>1. Governance:</p> <table border="1"> <thead> <tr> <th>ESG Material Issues</th> <th>Risk Assessment</th> <th>Management policy or strategy</th> </tr> </thead> <tbody> <tr> <td></td> <td> <ul style="list-style-type: none"> Impact on operational stability Impact on revenue and profitability Lead to financial losses </td> <td> <ol style="list-style-type: none"> Regularly convene the Board of Directors and shareholders' meetings, re-elect directors every three years, and ensure the professionalism and diversity of directors. Set up corporate governance officer to handle affairs related to corporate governance. Voluntarily participate in evaluating international corporate governance, and incorporate the indicator requirements into the corporate governance improvement plan. </td> </tr> <tr> <td>Ethical Management</td> <td> <ul style="list-style-type: none"> Impact on reputation Damaging investors' interests </td> <td> <p>There are internal rules and regulations such as the "Code of Conduct", "Ethical Corporate Management Best Practice Principles" and "Implementation</p> </td> </tr> </tbody> </table>	ESG Material Issues	Risk Assessment	Management policy or strategy		<ul style="list-style-type: none"> Impact on operational stability Impact on revenue and profitability Lead to financial losses 	<ol style="list-style-type: none"> Regularly convene the Board of Directors and shareholders' meetings, re-elect directors every three years, and ensure the professionalism and diversity of directors. Set up corporate governance officer to handle affairs related to corporate governance. Voluntarily participate in evaluating international corporate governance, and incorporate the indicator requirements into the corporate governance improvement plan. 	Ethical Management	<ul style="list-style-type: none"> Impact on reputation Damaging investors' interests 	<p>There are internal rules and regulations such as the "Code of Conduct", "Ethical Corporate Management Best Practice Principles" and "Implementation</p>	
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Evaluation Item	Implementation status		Summary Description	Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No		
		<ul style="list-style-type: none"> Impact on operational stability Impact on market share Lead to financial losses Damaging investors' interests Reduce competitiveness <p>Information Security</p> <p>Economic Performance</p>		

Evaluation Item	Implementation status		Summary Description	Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
		<p>Impact on market share</p> <ul style="list-style-type: none"> • Damaging investors' interests • Reduce competitiveness <p>Innovation and R&D</p> <p>Impact on revenue and profitability</p> <ul style="list-style-type: none"> • Lead to financial losses • Damaging investors' interests <p>Intellectual Property Rights</p> <p>Impact on reputation</p> <ul style="list-style-type: none"> • Lead to financial losses <p>Legal Compliance</p>		

Evaluation Item	Implementation status		Summary Description	Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		

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	Yes	No	
			energy-saving measures. 2. Follow the ISO 14001 environmental management system, set an annual environmental management plan, and commit to and implement five major environmental policies.
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	✓		None. ✧ The Company complies with the requirements of ISO 14001 Environmental Management System and formulates the specifications of environmental policies. We are committed to comply with applicable laws and other requirements, continuously reduce impacts on the environment, promote green products, conserve energy and resources, and prevent environmental pollution. In the spirit of sustainable operation, we will require environmental protection quality, and actively educate employees to implement environmental protection policies, and promptly and properly handle internal and external opinions and reactions on environmental protection. ✧ The Company has implemented the ISO 14064-1 Greenhouse Gas Emission Verification Mechanism and set a target of carbon reduction of 10% by 2026 on the basis of 2021.
(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low	✓		None. ✧ The Company created the D-Link Green project to reduce our carbon footprint. We are committed to introducing the most advanced product design thinking, technology, and

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
environmental impact?		<p>compliance with relevant international energy regulations, such as products are designed in accordance with the European Union’s Energy-related Product (ErP) directive to minimize the energy consumption of our products. In terms of raw materials, we use materials that are more environmentally friendly and maintain human health and comply with EU RoHS directive and REACH regulations to reduce the impact on the environment.</p> <p>✧ The Company follows the requirements of ISO 14001 Environmental Management System and sets targets for energy conservation every year. Since most of the energy consumption in the D-Link building comes from purchased electricity, reduction of electricity consumption the building has become the direction of our efforts. We set a target of carbon reduction of 10% by 2026 on the basis of 2021. The energy-saving measures that have been carried out in the past three years are as follows:</p> <ol style="list-style-type: none"> 1. In 2020, the Company replaced its lighting with LED panel lights in the public areas and restrooms on the 1st through 6th floors. 2. In 2021, the lighting in offices, meeting rooms and supervisors' offices on the 5th and 6th floors of D-Link's Taipei operation headquarters was replaced with energy-saving LED panel lights. 3. In 2022, the lighting in offices, meeting rooms and supervisors' offices on the 4th floor of D-Link's Taipei operation headquarters was replaced with energy-saving LED panel lights. 	

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>4. In 2023, we expect to continue to replace the lighting with energy-saving LED panel lights on other floors of the building.</p> <p>✧ In addition to the above-mentioned improvements of facilities in the building, we regularly promote energy conservation among our employees and place energy conservation signs in conference rooms, so that our employees can develop a good habit of turning off lights and air conditioning. Additionally, to save water, water-saving switches have been set up for all toilet taps in the building, so that everyone can conserve water.</p> <p>✧ The company initiated a green energy procurement plan in the first half of 2023 and will start to procure green energy by the end of the 2023.</p>	
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓	<p>✧ The Company regards climate change as one of the major operational risks. The TCFD was introduced in 2022, and the three risks and three opportunities were identified under the TCFD framework. We formulated corresponding plans in accordance with such risks/opportunities. In the process of identifying risks in operations every year, the Company will also identify the sources of climate change risks and evaluate and implement measures for mitigation or adjustment to respond to the risks. TCFD please refer to 2022 Sustainability Report.</p>	None.
(IV) Did the Company collect data for the past two years on greenhouse gas emissions, volume of water consumption,	✓	<p>✧ The Company has developed a specific energy-saving plan for the future. In 2023, the lighting of D-Link's operation headquarters in Taipei will be replaced by energy-saving LED lights successively. With 2021 as the base year, we target to</p>	None.

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons																		
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and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?		<p>reduce the emission of greenhouse gases by 10.0%, water consumption by 2.5% and waste by 2.5% in the next five years.</p> <p>✧ The following table describes the Company's greenhouse gas emission, water consumption and total weight of waste: GHG emissions (unit: ton-CO2e) Based on laws and regulations or the international standard: ISO 14064-1</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope1</td> <td>127.1388</td> <td>119.8740</td> </tr> <tr> <td>Scope2</td> <td>1,409.7829</td> <td>1,255.5178</td> </tr> <tr> <td>Scope3</td> <td>836,114.31</td> <td>523,159.0031</td> </tr> </tbody> </table> <p>*0.509kgCO2e/kWh ** The above greenhouse gas emission data is the preliminary internal inventory data, with the scope of verification being the HQ headquarters building. The external verification is expected to be completed in the middle of May. Please refer to the 2022 Sustainability Report for complete data.</p> <p>Wastewater discharge (unit: m³) Compliance with laws and regulations or the international standards: Water Pollution Control Act</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Waste water from living quarters</td> <td>10,404</td> <td>9,888</td> </tr> </tbody> </table> <p>Volume of waste emission (unit: metric tons)</p>	Item	2021	2022	Scope1	127.1388	119.8740	Scope2	1,409.7829	1,255.5178	Scope3	836,114.31	523,159.0031	Item	2021	2022	Waste water from living quarters	10,404	9,888	
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	Yes	No							
			<p>Compliance with regulations or international standards: Waste Disposal Act</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>General Household Waste</td> <td>12.189</td> <td>12.976</td> </tr> </tbody> </table> <p>Management Policies:</p> <ol style="list-style-type: none"> The Company is committed to the disclosure of corporate carbon emissions so as to facilitate a precise understanding of the Company’s carbon emissions, and we work with business partners to expand the scope of reduction activities. The Company provides customers and consumers with more diversified low-carbon options to increase information transparency and reduce volumes toward product carbon footprint. In order to implement carbon reduction, the Company sets the target of achieving carbon emission reduction of 10% in 2026 taking 2021 as the base year. In order to make the carbon emission information more transparent, the Company commissioned SGS to conduct ISO 14064 greenhouse gas verification in the past two years, and completed the verification on April 22, 2021 and August 12, 2022, respectively, and will continue to carry out ISO 14064 greenhouse gas verification. In 2022, the Company fully replaced the lighting with energy-saving LED panel lights on the 4th floor of the 	Item	2021	2022	General Household Waste	12.189	12.976
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	Yes	No	
<p>IV. Social issues</p> <p>(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓	<p>operation headquarters. A total of 465 lights were replaced on the 4th floor, which is estimated to save 55,351 kWh of electricity each year, accounting for 1.97% of the total annual electricity consumption.</p> <p>5. The Company has also formulated specific water conservation and waste reduction plans and aims to reduce water consumption by 2.5% and waste emission by 2.5% in the next five years.</p> <p>◇ Verification status: The operation headquarters building of the Company in Taipei has completed the GHG inventory in accordance with ISO14064-1:2018 Scope 1 and Scope 2 in 2021 and third-party verification.</p> <p>◇ The Company is committed to safeguarding employee human rights and creating an environment that fully protects human rights. The Company recognizes and supports international human rights conventions such as the Universal Declaration of Human Rights (UDHR) and International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and requires that the operating activities of its cooperating contractors should also eliminate any violation and breach of human rights so that members within and outside the Company can receive fair and respectful treatment.</p> <p>◇ The Company has formulated human rights policies and management plans, which are published on the Company's</p>	None.

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons				
	Yes	No					
		<p>website. Every year, the Company reviews whether the policies are in line with the original policies through employee surveys focusing on major social issues.</p> <p>❖ The Company established the "Human Rights Policy and Management Plan" on September 7, 2021, and had it further revised and approved by the Board of Directors on November 4, 2022. The promotion of awareness and training related to our human rights policy to all employees have taken place starting from December 2022. The number of times human rights awareness video played was 549, and the hours of video promotion was 29.6. The number of people trained in the human rights awareness course was 495, and the hour of training is was 247.5. It has been included in the mandatory course for new employees.</p> <p>❖ The human rights due diligence project was initiated in November 2022. The PwC Taiwan sustainable development service team was commissioned to conduct the project consultation and counseling. The Company's human rights due diligence report is expected to be produced in April 2023.</p> <p>❖ The Company's human rights management policy and specific plan are as follows:</p> <table border="1" data-bbox="837 395 975 986"> <thead> <tr> <th>Human Right Management Policy</th> <th>Specific Plan</th> </tr> </thead> <tbody> <tr> <td>Forced labor and child labor are</td> <td>1. The employment process is carried out in accordance with the</td> </tr> </tbody> </table>	Human Right Management Policy	Specific Plan	Forced labor and child labor are	1. The employment process is carried out in accordance with the	
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Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
		prohibited	<p>requirements of the Company.</p> <p>2. Interview with the applicant for his/her willingness to work and request the candidate to provide relevant identity documents in order to implement the examination.</p> <p>3. All work must be carried out on a voluntary basis to ensure that workers are not threatened.</p> <p>4. All forms of forced or compulsory labor is prohibited.</p> <p>5. The Company must comply with national or local minimum employment age requirements or other explicit regulations to protect underage technical trainees.</p> <p>6. The Company must comply with Article 44 of the Labor Standards Act, which prohibits the employment of child workers over fifteen years old, but less than sixteen years old to do work that is dangerous or hazardous in nature.</p>
		Assure labor conditions	<p>1. The salaries and benefits provided are all in line with the requirements of local laws and regulations, and in no way lower than the legal minimum wage. The Company regularly</p>

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
			<p>participates in salary surveys and adjusts according to needs. In addition to complying with the employees' statutory salary requirement, the Company also ensures that employee salaries in various regions is competitive to a certain level in the same industry.</p> <p>2. The Company carries out salary surveys in the industry every year, and conduct annual salary review based on changes in the external environment, company operating conditions, and personal performance. In addition to being better than the statutory minimum pay, the Company further ensures that the salary meets or exceeds the market standard, in order to retain outstanding talents.</p> <p>3. The Company has established attendance management procedures, paid attention to and promoted employee working hours issues to ensure that reliable and detailed records of working hours and overtime are maintained; in case there is a demand for overtime work, overtime pay or compensatory leave is</p>

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
		<p>provided in accordance with the law to ensure employee’s rights and interests.</p> <p>4. Employees are provided with one and a half hours of flexible working hours, and three days of paid family leave annually to tend to personal and family needs.</p>	
		Assure right to work	<p>1. The Company respects the freedom and exercise of the choice of occupation and provide equal opportunities for work without discrimination on grounds of religion, gender, sexual orientation, marriage, age, pregnancy, skin color, race, nationality, disability, political affiliation, etc. The Company shall follow the government regulations to collect, process, and utilize personal information with relevant notification procedures, and conduct regular deletion of personal information of job applicants as protection.</p> <p>2. The work environment is in compliance with the requirements of the laws and regulations to protect the basic rights of employees at work.</p> <p>3. There is no taking away of existing</p>

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
			<p>jobs through a large number of contractual personnel, dispatch workers and foreign workers.</p> <p>4. In the event of material changes in employer-employee relation, an appropriate notice period and severance payment will be given and relevant supporting documents will be given to ensure their rights and interests, subject to relevant laws and regulations.</p>
		Assure Workplace Health	<p>1. Nurses are regularly employed to provide necessary emergency medical services immediately in case of an emergency.</p> <p>2. Exceeding statutory requirements, health examinations are held every two years to eligible employees with subsidies of not less than 6,000 dollars. Corresponding follow-up tracking and counseling measures are carried out for different levels of health examination conditions, and the factors that are harmful to health in the workplace are improved.</p> <p>3. Physicians are stationed on site for employee's direct consultation every two months.</p>

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
		<p>Elimination of discrimination, bullying and sexual harassment</p> <p>4. Health promotion activities or seminars are organized every month.</p> <p>1. Anti-workplace discrimination, anti-workplace bullying and anti-sexual harassment prevention were conducted during new employee training.</p> <p>2. In October 2022, all employees were educated on the prevention of sexual harassment and gender equality. The number of times of relevant video played was 3,245, and the hours of video promotion was 145.6.</p> <p>3. From November 2022, the Company has arranged training courses on gender equality and prevention of sexual harassment in the workplace for all employees. The number of people trained in the course was 496, and the hours of training was 248. It was also included in the mandatory course for new employees.</p> <p>4. Standardize relevant content in work rules and complaints and sexual harassment handling methods, and provide diverse and smooth complaint channels.</p> <p>5. Providing equal work opportunities</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
		<p>without discrimination based on race, color, age, gender, sexual orientation, disability, nationality, pregnancy, religion belief, political affiliation, club membership , marriage, or other legal regulations.</p> <p>Assure occupational safety</p> <ol style="list-style-type: none"> 1. Introduced and received ISO 45001:2018 certification. 2. In accordance with the Occupational Safety and Health Management Measures, the Company has established a Level 1 management unit responsible for formulating, planning, promoting and supervising the safety and health management matters, and established an Occupational Safety and Health Committee which holds meetings and exercises its authority in accordance with the law. 3. In accordance with the Occupational Safety and Health Education and Training Rules, safety and health education training is regularly provided to employees at least once a quarter for new employees and once a year for existing employees. 4. In accordance with the Measures for 	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
			the Implementation of Monitoring of Work Environment, carbon dioxide and noise in the workplace are regularly monitored on a semi-annual basis, and employees are required to use personal protective equipment when there are dangerous operations to prevent them from being exposed to dangerous factors in the workplace.
(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		<p>❖ Employee Compensation:</p> <ol style="list-style-type: none"> The Company provides a reasonable salary condition for new employees based on the Company's operating abilities and market salary level and reviews the salary of employees annually with reference to economic trends, industry development, company operating performance, market salary and individual performance, and makes appropriate adjustments to maintain the overall competitiveness of remuneration. The average salary increases of the Company in 2022 was 4.8%, with some employees receiving 30% or more. The operating performance of the Company is appropriately reflected in the employees' compensation, which is distributed in accordance with the Articles of Incorporation of the Company based on 1% to 15% of the profit in a given year. The Company's employees' compensation for 2022 was 5% of the Company's profit and distributed in 2023.
			None.

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
	Summary Description		
		<p>3. In order to attract and retain required professional talents, motivate and enhance the solidarity of employees to jointly create the interests of the Company and shareholders, in order to ensure the combination of the interests of the Company's employees and shareholders, the Company formulated the "2022 Restricted Stock Award Plan " and is planned to be implemented in 2023.</p> <p>◇ Employee welfare benefits:</p> <ol style="list-style-type: none"> In order to improve employees' health and well-being, the Company sets up an employee restaurant, coffee bar, outdoor coffee shop, vending machines, employee lounge and employee fitness center, basketball court, aerobics dance classroom, shower room, and independent space of breastfeeding room for employees in the operational headquarters building in Taipei. The staff lounge is equipped with several massage chairs for free use by employees. From 2022, professional disabled massage therapists were hired to provide employees with stress relief massage service for 25 minutes each time. The employee cafeteria provides a healthy lunch buffet. The Company also subsidizes employees' meal costs. The Company has set up an employee welfare committee to handle various employee welfare matters. More than 15 clubs has been established with 	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
		<p>various activities subsidized. Various intellectual, leisure, sports and entertainment activities have been arranged for employees to participate freely and learn and grow with their peers. The books in the reading area are regularly updated and available for employees to borrow free of charge.</p> <p>5. The employee welfare committee provides meals allowances for employee gatherings to encourage colleagues to participate in activities and have fun together. It also provides various types of subsidies such as wedding gifts, maternity allowance, hospitalization consolations, funeral allowance, birthday coupons, emergency relief, and gifts.</p> <p>6. The employee welfare committee subsidizes employee travel expenses to encourage employees to go outdoors and take a break. In addition, it offers contract vendors to provide employees with special offers.</p> <p>7. The total amount of benefits provided in 2022 was approximately NT\$12 million.</p> <p>✧ Comprehensive Insurance Policies: In addition to insurance coverage as stipulated in government regulations, the Company provides free employee group insurance: term life insurance, accident insurance, hospitalization insurance, cancer insurance, major disease insurance, and occupational accident insurance, as well as subsidizes employees' dependents for group insurance, hospitalization insurance, cancer</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Summary Description		
		<p>insurance. In response to the pandemic, the Company increased the statutory infectious disease claim items for all employees in 2022 to provide protection during the special pandemic prevention period; and provides travel safety insurance and medical insurance coverage for sudden illnesses during overseas business trips, to ensure that employees can carry out their works without worries.</p> <p>✧ Attendance and Leave:</p> <p>In addition to the leave granted under the Labor Standards Act, new employees are entitled to three days of special leave in advance from the date of their arrival. Moreover, five days of full-pay sick leave, three days of paid family leave, and one week of paid maternity leave for miscarriages of more than two months and less than three months of pregnancy are granted, which are superior than that stipulated by law. In 2022 and 2023, employees are exempted from work on Saturday compensatory days; in recent years, the Company has been actively promoting flexible working hours (1.5 hours each on work and off work) to enable employees to take care of both work and family like in a flexible manner. In order to take care of the health of employees during the pandemic outbreak in 2022, a telecommuting system was activated; employees with confirmed infections and who lived with family members of confirmed infections were provided with various hardware and software facilities to work remotely to reduce the impact of the pandemic on the Company’s operations and employees’ financial support.</p>	

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓	<p>◇ Workplace Diversity and Equal Opportunity:</p> <p>1. The Company provides employees with a diverse and inclusive working environment, and has employed employees from 33 different countries with equal pay for equal work, and with equal opportunities for training, further education, promotion and development, regardless of gender, religion, race, nationality, etc. The Company also formulates human rights policies and management plans to safeguard the basic human rights of employees.</p> <p>2. The percentage of female employees of the Company is 45.05%, higher than 37.04% in the industrial sector (according to the 2021 gender analysis data on the website of National Statistics, R.O.C. (Taiwan)), and the percentage of female executives is 55.6%, which is higher than the percentage of female colleagues in the Company.</p>	
		◇ The Company provides employees with a comfortable and safe office and work environment and complies with occupational safety regulations and high-standard safe working conditions. In addition to regular safety and health education and on-the-job and emergency response education and training, we hold health promotion seminars every two months, health checkups every two years with regular follow-ups by occupational doctors and nurses, as well as implement the annual occupational safety and health plan. We are committed to improving our safety and health standards and continue to improve and promote our	None.

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>occupational safety culture to achieve the occupational safety targets.</p> <p>❖ Occupational safety and health performance:</p> <p>1. In 2022, there was zero occupational accident, the disabling injury frequency rate (FR) in 2022 was 0 and the disabling injury severity rate (SR) was 0.</p> <p>2. In 2022, there were three traffic accidents, the FR was 3, the SR was 199.73, and the total number of lost workdays was 25.</p> <p>3. Regarding the three traffic accidents occurring to and from work, we actively reviewed the causes and continued to raise employees' awareness of traffic safety and defensive driving to improve their driving safety.</p> <p>❖ To improve employees' awareness of safety and health in the workplace, we offer education and training to new and in-service employees in accordance with Articles 15 and 17 of the Occupational Safety and Health Education and Training Rules. A total of 264 employees who have worked at the Company for three years and a total of 106 new employees participated and completed the training in 2022.</p> <p>❖ The Company, including the Taiwan branch, has passed the certification of ISO 45001 occupational health and safety management system (the certificate is valid from 2022/01/31 to 2025/01/30).</p>	
(IV) Has the Company established effective career development training programs for employees?	✓		None.

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
	Summary Description		
		<p>staff, front-line managers, mid-level managers, and senior managers. According to employees' different attributes, we plan and arrange external training, on-the-job training, and self-development for employees at different stages of their career.</p> <ul style="list-style-type: none"> ◇ The above off-the-job training includes newcomer training, general training, professional training, and management training. On-the-job training includes substitution, job coaching, job expansion, job enrichment, project experience, coaching, internship, and internal classroom sharing. Self-development includes self-education and study, seminars, and book clubs. ◇ The Company has planned a complete training program for new recruits. New employees are required to participate in orientation and training programs. In addition, according to the needs of each unit, the Company will also arrange internal training courses for professional skills. ◇ In 2022, the Company held 60 orientation courses and 5 training courses for new employees, and included "Human Rights Promotion", "Intellectual Property and Personal Data Act Promotion", "Ethical Management Promotion" and "Gender Equality and Prevention of Sexual Harassment in the Workplace Promotion" as mandatory courses for new employees from October 2022. ◇ To meet each unit's needs for professional skills, the Company arranges employees to receive relevant training courses at external professional institutions or invite 	

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>outstanding internal employees to share their work experience as an internal training session, enabling them to pass on their experience but improve our internal training system.</p> <p>◇ In 2022, the Company held 4 general training, including "Human Rights Promotion", "Intellectual Property and Personal Data Act Promotion", "Ethical Management Promotion" and "Gender Equality and Prevention of Sexual Harassment in the Workplace Promotion", each with over 494 participants and a completion rate of over 96%. The total number of training hours for the four promotion courses was 1,248.5 hours.</p> <p>◇ From 2022 to March 2023, in cooperation with nine schools, including Tsing Hua University, Taipei University of Education, Taiwan Ocean University, Tamkang University, United University, Yuan Ze University, Aletheia University, Taipei University of Technology, and Takming University of Science and Technology, a total of 11 interns and 6 work-study students have been employed to receive guidance and training provided by the Company's coaches.</p> <p>◇ In addition to the course planning, from October 2022, the Company broadcasted promotional videos on TV on the first floor of the Company building, such as "ethical management", "business secrets", "personal data protection", "human rights", "anti-corruption", "prevention of money laundering", "prevention of insider trading", "prevention of sexual harassment" and "gender equality",</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(V) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓	<p>to enhance awareness of the law and remind employees to comply with the rules. In 2022, the total number of times promotional video played was 6,977, and the hours of video promotion was 296.8.</p> <p>✧ The Company's design and R&D team follows EU environmental standards, plans for compliance with EU RoHS, REACH, and REACH, and abides by the RoHS' restriction on hazardous substances, and promotes green products and formulates product hazardous substance management mechanism to protect consumers' interests.</p> <p>✧ The Company has introduced BS10012: 2017 (PIMS - Personal Information Management System) to regulate all relevant procedures and applicable documents. In addition to complying with the EU GDPR (General Data Protection Regulation), the Company has simultaneously conducted proper identification, assessment and management of personal data through the system. The Company has successfully passed the annual verification of BS10012: 2017 in November of 2021 and passed the annual verification to maintain the validity of the certificate in October of 2022.</p> <p>✧ The Company follows relevant regulations and international standards in handling customer health and safety, customer privacy, marketing and labeling of its products and services, and has a service hotline (0800-002-615), online message board and internal processing procedures to handle customer feedback effectively. For products sold to different regions, information in compliance with relevant local</p>	None.

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(VI) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		<p>regulations and standards is also indicated. In addition to compliance with regulations, customer privacy and rights and interests are also protected by international standards such as ISO/IEC 27001: 2013 Information Security Management System, IEC 62443-4-1: 2018, BS 10012: 2017 Personal Data Protection Management System and TRUSTe.</p> <p>✧ The Company has call centers around the country to provide immediate support and services to local consumers on the first line. In addition, the customer support department at the headquarters is committed to the second line of technical support services, regularly reviewing customer satisfaction performance, and assisting the customer service center in handling product customer complaints and listening to market sales feedback, so as to safeguard customers' rights and interests.</p> <p>✧ Based on the social moral code of promoting the spirit of humanity and practicing human dignity and fulfilling the corporate social responsibility, the Company manages suppliers as follows:</p> <ol style="list-style-type: none"> 1. The Company is concerned with the issue of conflict minerals and requires suppliers to sign the Conflict Minerals Declaration to prevent the purchase of minerals from conflict zones. 2. The Company's requirements for suppliers' integrity and honesty have been included in the contracts between the parties. The Company may immediately cancel or terminate the contract if any supplier has engaged in any illegal conduct.
			None.

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
	Summary Description		
		<p>3. In the procurement contracts, the Company also require suppliers to prohibit the use of child labor. All suppliers have signed the agreements.</p> <p>4. The sustainability management audits (health, safety/environment/labor/suppliers/social ethics) of 9 suppliers were completed in 2022, which accounted for more than 85% of the annual procurement.</p> <p>5. In terms of environmental protection, suppliers are required to comply with the EU regulations on hazardous substances.</p> <p>❖ In addition to providing customers with excellent quality products and services, the Company expects its suppliers to pay attention to the social and environmental values and actively implement the operation mission of “environmental protection, energy conservation and love for the earth”. We regard suppliers as important partners for long-term cooperative development and growth and uphold the principle of mutual benefit and common prosperity with suppliers, and will continue to work together to promote sustainable management.</p> <p>❖ According to the Supplier Management Procedures and Procurement Management Procedures, the Company required that suppliers comply with quality, cost, delivery time, service, and other related matters. We extended the scope of supply chain management to ESG issues such as environmental protection and social inclusiveness with reference to the requirements of RBA (Responsible Business Alliance), including employee rights and interests,</p>	

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
			environmental protection, safety and health, ethics and management system, etc., which are incorporated into the criteria for supplier selection and audit, so as to establish risk management projects and identify high-risk suppliers, formulate improvement measures and assist suppliers in continuous improvement based on the audit result. It is expected to improve the effectiveness of sustainable supply chain management, reduce supply chain operational risks, and establish a partnership for sustainable growth.
V. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above?	✓		<p>✧ The Company's Sustainability report is prepared in accordance with the new GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative. D-Link's 2021 Sustainability Report had been verified by the external party SGS Taiwan Limited as per the GRI Core Option, refer to SASB, and compliant with the Type 2 moderate-level assurance of AA1000 ASv3.</p> <p>None.</p>
VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations?			<p>The Company has implemented the internal control system and relevant supervision measures in accordance with the spirit of the Sustainable Development Best Practice Principles. No discrepancy is found.</p>
VII. Other important information to facilitate better understanding of the Company's promotion of sustainable development: Please refer to the "Sustainable Development" of the Company's official website (https://company.dlink.com/zh-hant/esg/sustainable-development).			

VIII. Risk Mitigation Measures Table:			
Dimension	Risk	Risk mitigation management approach	Completion report for 2022
Environment	GHG Management	Continue to achieve carbon reduction goals and set a target of 10% reduction of greenhouse gas emissions by 2026 with 2021 as the base year.	<ol style="list-style-type: none"> ISO 14064-1 201 external SGS verification has been completed on August 12. A total of 463 units have been replaced on September 17. It's expected to save 55,351 kWh of electricity per year, accounting for 1.97% of 2021.
	Waste Disposal Management	With 2021 as the base year, the target is to achieve a 2.5% reduction in waste by 2026.	<ol style="list-style-type: none"> The installation will start on September 15. It's expected that 7 photocopiers will be replaced, and card readers will be installed. PUR payment request is accompanied by the necessary paper voucher. There is no need to print out the non-essential paper for filing. To reduce the amount of paper printing, the Board of Directors switched to iPad for meetings from August 12.
	Green Products	<ol style="list-style-type: none"> Continue considering adverse environmental impacts when developing new products in the product life cycles, and reduce disposable packaging waste generation. For key raw materials, continue using low-energy consumption chips and follow related international energy consumption specifications. 	<ol style="list-style-type: none"> Green packaging (import planning) is ongoing. At present, there are 4 models (a total of 6 packaging boxes), using recycled paper packaging boxes. Taiwan and Russia warranty cards continue to integrate into QIG. At present, 10 models have been planned to be introduced successively. GPL continues to integrate into QIG and has planned to import 10 models in succession.
	Extreme Climate Risks	<ol style="list-style-type: none"> Continue to achieve energy conservation, water conservation, and waste reduction goals to prevent extreme climate risks from the source. Regularly update D-Link's climate-related financial disclosure (TCFD) evaluations. 	<ol style="list-style-type: none"> 463 lighting and 7 photocopiers have been replaced. TCFD has identified three risks and opportunities, and formulated the corresponding plan and strategy, and assesses the financial impact of the three risks.
Society	Human Resources Management	Formulate talent cultivation and development plans.	<ol style="list-style-type: none"> The shareholders' meeting passed the resolution to process the restricted stock award to employees, and the Board of Directors amended the "2022 Restricted Stock Award Plan" on November 4. Improve measures for performance evaluation and return the evaluation to the online system. The review of the policies, systems, standards, and structures of performance evaluation and compensation for directors and managers has been submitted to the Board of Directors on November 4. The successor planning measures have been submitted to the Board of Directors on November 4. Complete the draft of the supervisor training plan and initiate.
	Human Rights Issues	Formulate and amend human rights policies and management plans in response to future trends.	<ol style="list-style-type: none"> Review the application of existing human rights policy and management plan. Ongoing human rights assessments. Human rights policy has been submitted to the Board of Directors. Ongoing review of human rights risk mitigation measures.

	<p>5. Complete annual human rights-related education and training.</p> <ol style="list-style-type: none"> 1. A flexible working mechanism in response to the actual situation of the pandemic, but gradually returning to normal. 2. Continue to provide favorable group insurance. 3. Partially retain the flexibility of remote work. 4. Continue to operate without any unpaid leave. 	<p>Review and incorporate working mechanisms promoted in response to the pandemic into future human resource management policies.</p>	<p>5. Complete annual human rights-related education and training.</p> <ol style="list-style-type: none"> 1. A flexible working mechanism in response to the actual situation of the pandemic, but gradually returning to normal. 2. Continue to provide favorable group insurance. 3. Partially retain the flexibility of remote work. 4. Continue to operate without any unpaid leave.
<p>Work Model Changes Caused by the COVID-19 Pandemic</p>	<p>1. Regularly review and manage the comparison between sales results and inventories through strategic meetings.</p> <p>2. Formulate response strategies for fluctuating chip prices and unstable supply to ensure delivery and inventory optimization.</p>	<p>1. Regularly review and manage the comparison between sales results and inventories through strategic meetings.</p> <p>2. Formulate response strategies for fluctuating chip prices and unstable supply to ensure delivery and inventory optimization.</p>	<ol style="list-style-type: none"> 1. Weekly review of district inventory (including disposal methods). The OBU will be lowered below red alert by the end of the year. 2. Dynamic confirmation of the epidemic situation in various regions of the mainland China. Prevent the impact of human dispatch infection and continue to improve the remote shipment sampling mechanism. 3. We import substitute materials and check the manufacturer's stocking status according to the material lead time.
<p>Operational Risk</p>	<p>Interest rate risks</p> <ol style="list-style-type: none"> 1. Regularly focus on interest rate trends and changes and maintain good relationships with financial institutions to lower financing costs. 2. Effectively deploy the Group's funds and strengthen its management on working capital, reduce its dependence on bank borrowings and diversify its risks on interest rates. <p>Exchange rate risks</p> <p>Set up strict procedures to control the foreign exchange exposure, and conduct a moderate hedging strategy and follow up the movement of profit and loss continuously to avoid reduce exchange rate risks.</p>	<p>Interest rate risks</p> <ol style="list-style-type: none"> 1. Regularly focus on interest rate trends and changes and maintain good relationships with financial institutions to lower financing costs. 2. Effectively deploy the Group's funds and strengthen its management on working capital, reduce its dependence on bank borrowings and diversify its risks on interest rates. <p>Exchange rate risks</p> <p>Set up strict procedures to control the foreign exchange exposure, and conduct a moderate hedging strategy and follow up the movement of profit and loss continuously to avoid reduce exchange rate risks.</p>	<ol style="list-style-type: none"> 1. Reduce and recall the idle funds from OBU subsidiaries and allocate it to the bank accounts with higher deposit rate to increase interest income, and manage the funds properly to minimize borrowing costs. 2. Negotiate with new banks and strengthen existing bank relationships. Strive for the new credit facility and extend the business cooperation with bank. 3. Timely update foreign exchange positions and follow up the monetary policy in every country to develop the moderate hedging strategy to minimize the foreign exchange risks and hedging costs.
<p>Market Risk</p>	<p>Identify the risks and formulate communication strategies for internal and external stakeholders to protect the Company's reputation.</p>	<p>Identify the risks and formulate communication strategies for internal and external stakeholders to protect the Company's reputation.</p>	<ol style="list-style-type: none"> 1. Responded media reports related to the Russia-Ukraine war in April. 2. Timely published press releases of the previous month's revenue since June. 3. Published The Ukrainian Scholarship press release in June and distributed to the global media through PR Newswire. 4. Issued press releases for joining the Metaverse Standard Forum, blood donation event, and new product launch to create a high-quality brand image with both innovation and public welfare. 5. News monitoring is conducted daily and reciprocated/alerted to reduce the chances of risk occurring.
<p>Reputation Risks</p>	<p>Identify the risks and formulate communication strategies for internal and external stakeholders to protect the Company's reputation.</p>	<p>Identify the risks and formulate communication strategies for internal and external stakeholders to protect the Company's reputation.</p>	<ol style="list-style-type: none"> 1. Responded media reports related to the Russia-Ukraine war in April. 2. Timely published press releases of the previous month's revenue since June. 3. Published The Ukrainian Scholarship press release in June and distributed to the global media through PR Newswire. 4. Issued press releases for joining the Metaverse Standard Forum, blood donation event, and new product launch to create a high-quality brand image with both innovation and public welfare. 5. News monitoring is conducted daily and reciprocated/alerted to reduce the chances of risk occurring.
<p>Economy and Governance</p>	<p>Regularly assess legal compliance risks.</p>	<p>Regularly assess legal compliance risks.</p>	<ol style="list-style-type: none"> 1. Regulatory inventory check. 2. Update and promotion of regulations. 3. Identification of regulations. 4. Compliance review.
<p>Regulatory Risks</p>	<p>Regularly assess legal compliance risks.</p>	<p>Regularly assess legal compliance risks.</p>	<ol style="list-style-type: none"> 1. Regulatory inventory check. 2. Update and promotion of regulations. 3. Identification of regulations. 4. Compliance review.
<p>Geopolitical Risks</p>	<ol style="list-style-type: none"> 1. In response to the China-U.S. trade sanctions, the Company has shifted to Group-oriented manufacturing and towards MIT as the primary production direction. 	<ol style="list-style-type: none"> 1. In response to the China-U.S. trade sanctions, the Company has shifted to Group-oriented manufacturing and towards MIT as the primary production direction. 	<ol style="list-style-type: none"> 1. The headquarters completed the convergent branch offices in each region and learned about and promoted the convergent model (EAGLE PRO AI).

		<ol style="list-style-type: none"> Strengthen cooperation with Taiwanese platform manufacturers to avoid political factors affecting the Company's product development and sales. Collect reports or market surveys to understand and respond to market conditions in advance. We continue to pay attention to the risks arising from the Russia-Ukraine war (such as shipment risks, exchange rate changes, etc.). 	<ol style="list-style-type: none"> After convergence, the machine type has been moved to production in-house. In the first half of the year, the Russian branch shipped goods with the existing inventory.
Technological Innovation	Speed of Changes in Technology	<ol style="list-style-type: none"> Continue to join the emerging technology alliance in the ICT industry and become a member of the technology alliance. Through domestic and foreign industry-academic cooperation, we participate in the development of emerging ICT-related technologies. Closely follow low-orbit satellite applications to enhance future commercial opportunities to work with telecom operators. 	<ol style="list-style-type: none"> The Company participated in Wi-Fi Alliance, Broadband Forum, and Taiwan Electronic and Electrical Industry Association during the year to track the progress of the specification of the Connectivity Standards Alliance Matter group. An internal education training course on Introduction to low-orbit satellite communications under "Detailed Netcom" will be held to inform colleagues the overview and vision of the technology on January 28.
Others (long-term emerging risks)	Information Security Risks	Through the specialized unit for information security management, we continue to manage information security risks that may occur in the future and conduct investigations and drills on information arrangements from time to time.	<ol style="list-style-type: none"> The first Information Security Management Committee was held on July 25. The annual vulnerability scanning, vulnerability detection (initial test), and vulnerability repair were carried out in May, and the retest was completed in July. Compared with the same period last year, the severity level decreased by 26.2% and the high risk decreased by 38.9%.
	Intellectual Property Rights	<ol style="list-style-type: none"> Adopt active assessment, control, and response measures for intellectual property rights disputes and formulate dispute resolution strategies according to the dispute resolution mechanism. Formulate the intellectual property management plan and introduce the Taiwan Intellectual Property System (TIPS). 	<ol style="list-style-type: none"> The TIPS project was introduced and certified in December. Formulate intellectual property management guide. Formulate trademark management measures. Formulate confidential document management measures. Regular training and promotion of intellectual property rights.

(VII) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the Company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	✓		None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(II) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context; the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established the “Corporate Governance Best Practice Principles”, work rules, and various rewards and disciplinary actions and formulated the “Gift-receiving Management Procedure”, which clearly state that the behavior of individuals and collectives, bribery, provision of unreasonable gifts, and hospitality or other improper benefits shall be prohibited, as well as relevant response and handling measures for all employees to follow.
(III) Does the Company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		The Company specifies, in the “Corporate Governance Best Practice Principles” and the “Code of Conduct”, the relevant operating procedures, guidelines for conduct, punishments for violations, and a grievance system and has duly implemented them and reviewed and rectified them in alignment with law revision and audit results.
II. Ethical Management Practice (I) Does the Company assess the ethics records of those it has business relationships with and	✓		The Company evaluates both suppliers and customers’ integrity records and signs relevant documents with them, and the contracts signed with the transaction
			None.
			None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
include ethical conduct related clauses in the business contracts?			counterparties clearly stipulate the relevant integrity clauses.
(II) Has the Company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	✓		The Company's ESG Committee under the Board of Directors supervises the implementation of ethical management, and the Legal Department is responsible for improving various ethical management operations and regularly reporting to the Board of Directors at least once a year on relevant policy plans and the implementation thereof. The latest Annual Report on the policies related to ethical management, plan to prevent unethical acts and supervision of implementation has been made to the Board of Directors on November 4th, 2022.
(III) Has the Company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		The Company has established the “Corporate Governance Best Practice Principles”, the “Code of Conduct”, and the “Gift-receiving Management Procedure”, to prevent conflicts of interest and provide appropriate channels for complaints, and duly implements them accordingly.
(IV) Does the Company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise	✓		The Company has established an accounting system and an internal control system. The internal audit unit formulates audit plans based on the results of risk assessment, performs audits on a regular basis, and performs project audits as required, while reporting the audit results to the Audit Committee and the Board of Directors.
			None.
			None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?			
(V) Does the Company provide internal and external ethical corporate management training programs on a regular basis?	✓		None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
		<p>3. Internal training:</p> <ul style="list-style-type: none"> The Company conducted the "Ethical Management Course" to bring awareness to all employees at the headquarters and Taiwan branch office in November 2022. The course included promotion of the concept of ethical management, anti-money laundering, anti-corruption, and insider trading. There was an aggregate of 500 attendees for the course, totaling 250 training hours. The course had an attendance rate of 97%, and the average test score was 87 (out of 100). The Company also broadcasted videos related to ethical management, anti-corruption and insider trading regularly in the public area of our headquarters building in 2022. A total of 7 videos of different topics have been broadcasted as of November 2022. <p>✧ All courses were made online internally and became a part of our training system from 2022 and on. The Company hopes that through new employee, external, and internal education and training, D-Link's ethical management policy and direction will be conveyed to all employees, and the Company will continue to promote a high-standard business ethics culture and comply with various laws and regulations.</p>	

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
III. Implementation of Complaint Procedures (I) Has the Company established specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	✓		None.
(II) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓		None.
(III) Has the Company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓		None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>IV. Strengthening Information Disclosure Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</p>	✓		None.
<p>V. If the Company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The Company has formulated the “Ethical Corporate Management Best Practice Principles”, the “Code of Conduct”, and the work rules and the overall operation is not significantly different from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”.</p> <p>VI. Other important information to facilitate a better understanding of the Company’s Ethical Corporate Management Practices (e.g., the Company’s reviewing and amending of its ethical corporate management best practice principles): (I) The Company’s “Regulations Governing Procedure for Board of Directors Meetings” contain a system for Directors’ recusal. Those or juridical persons they represent who have a personal interest in any proposals on the agenda of a Board meeting, which may undermine the Company’s interests, may state their opinions and answer inquiries but shall recuse themselves from the discussion and voting and may not exercise their voting rights on behalf of other Directors. (II) The Company’s “Procedures for Materiality Management and Prevention of Insider Trade” that Directors, managerial officers, and employees shall not disclose material internal information they are aware of to others, nor shall they inquire or collect information unrelated to their personal duties from those who have knowledge of the Company’s. (III) The Company’s “Ethical Corporate Management Best Practice Principles” stipulate a policy based on integrity, which helps to establish a corporate culture for sound development, thereby developing a sustainable business environment.</p>			

(VIII) For Companies Having Principles and Regulations on Corporate Governance in Place, Access Shall be Disclosed:

1. The Company Website: <https://company.dlink.com>
2. MOPS: <https://mops.twse.com.tw/mops/web/index>

(IX) Other Important Information to Facilitate a Better Understanding of the Company's Corporate Governance Shall be Disclosed All Together:

The managers of the Company have attended relevant training courses and the 2022 years of training are as follows:

Title	Name	Date	Name of Class	Organization	Course Duration
Deputy Director	Claire Chou	2022.05.30	The latest development of the IFRS policy in Taiwan and the practical analysis on financial statement/supervisory legal compliance.	Accounting Research and Development Foundation	3
		2022.05.30	How to review ESG sustainability report by the Board of Directors and senior executives	Accounting Research and Development Foundation	3
		2022.11.14	Practical analysis on the latest corporate governance policy and corporate governance evaluation	Accounting Research and Development Foundation	3
		2022.11.15	ESG information disclosure trends and related regulations	Accounting Research and Development Foundation	3
		2022.03.09	Leadership Academy Forum: Reactivating under the new reality - seeing the new digital Taiwan	KPMG & Taiwan Institute of Directors	3
		2022.05.12	Twin-Summit Forum	Taiwan Stock Exchange, Alliance Advisors, and Taiwan Corporate Governance Association	2
Corporate Governance Officer	Wynne Ho	2022.06.15	Advanced seminar on directors and supervisors (including independent) and corporate governance officers' practices – discussion on employee and directors' remuneration - from the amendment of Article 14 of the Securities and Exchange Act	Securities & Futures Institute	3
		2022.06.27	Performance assessment practices related to corporate "ESG sustainability" and "risk management"	Accounting Research and Development Foundation	3
		2022.07.27	Sustainable development roadmap industry seminar	Taiwan Stock Exchange and Taipei Exchange	2
		2022.08.12	The impact of the global minimum tax system and Taiwan's anti-tax avoidance system on corporate tax governance from a director and supervisor's perspective	Taiwan Corporate Governance Association	3
		2022.08.29	Regulations analysis and audit focus of the Board of Directors and functional committees (the Audit Committee and the Remuneration Committee)	The Institute of Internal Auditors-Chinese Taiwan	6
		2022.09.29	2022 listed companies – Publication of reference guidelines regarding the excise of authority by independent directors and the Audit Committee and orientation session for directors and supervisors	Taiwan Stock Exchange and Taipei Exchange	3
Internal Auditor	Richard Yang	2022.11.16	Notices on "Shareholders' Meeting" and the "Company Act" and practical analysis	The Institute of Internal Auditors-Chinese Taiwan	6
		2022.12.19	Practical discussion and response measures for "Insider Trading" and "Fraudulent Financial statement"	The Institute of Internal Auditors-Chinese Taiwan	6
		2022.12.22	Corporate fraud audit - In-depth analysis on risk management	The Institute of Internal Auditors-Chinese Taiwan	6

(X) The Implementation of the Internal Control System Shall Disclose the Following Items

1. Statement on Internal Control

D-Link Corporation

Statement on Internal Control System

Date: 2023.02.22

According to the results of the Company's self-assessment, the Company's statement pertaining to the internal control system in 2022 is as follows:

- I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the aforementioned audit findings, the Company holds that as of December 31, 2022, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- VI. This statement will constitute the main content of the Company's Annual Report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the contents above will entail legal liability under Articles 20, 32, 171, and 174 of the "Securities and Exchange Act".
- VII. This Statement has been passed at the Board of Directors meeting on February 22, 2023, with none of the eight attending Directors expressing objections; all Directors affirmed the content of this Statement.

D-Link Corporation

Chairperson: Victor Kuo

CEO: CJ Chang

2. Where CPAs are commissioned to audit the Company's internal control systems, the Audit Report Prepared by the CPAs Shall be Disclosed: None.

(XI) For Penalties Imposed Upon the Company and Its Employees in Accordance with the Law or Penalties Imposed by the Company Upon Its Employees for the Violation of the Internal Control System Policy During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report, if the Result of Such Penalties May Have a Significant Impact on the Shareholders' Equity or the Price of Securities, the Contents of the Penalties, Principal Deficiencies, and Improvements Shall Be Specified: None.

(XII) Major Resolutions Adopted at the Shareholders' Meetings and the Board of Directors Meeting in the Most Recent Fiscal Year and as of the Printing Date of this Annual Report.

1. Resolutions Voted on by All Shareholders Present at the Company's General Shareholders' Meeting, and Implementation Thereof:

Date of meeting: 2022.05.27

Place of meeting: Liberty Square Convention Center— Meeting room(1F East, No. 399, Ruiguang Rd., Neihu Dist., Taipei City)

Major Resolutions	Implementation
(1) Adopted the 2021 Business Report and Financial Statements.	(1) Resolution was passed.
(2) Adopted 2021 earnings distribution proposal.	(2) Resolution was passed.
(3) Approved the proposal for amendment to the Company's "Articles of Incorporation".	(3) The resolution was passed, and the Company completed the registration of the amendment of the Articles of Incorporation on July 6, 2022, which was uploaded to the Company's website.
(4) Approved the proposal for amendment to the Company's "Regulations Governing the Acquisition and Disposal of Assets".	(4) The resolution was passed and the revised procedures were uploaded to the Market Observation Post System and the Company's website on June 10, 2022.
(5) Approved the issuance of Restricted Stock Award.	(5) The resolution was passed and approved by the competent authorities on November 30, 2022.
(6) Approved the release of non-competition restrictions for directors.	(6) Resolution was passed.

2. Major Resolutions of the Board of Directors Meetings in 2022 and as of the Printing Date of this Annual Report for 2023:

Date of Meeting (Term-Session)	Major Resolutions
2022.02.22 (12-14)	(1) Approved the proposal for the 2021 Internal Control System Statement. (2) Approved the proposal for the appointment of the Company's managerial officers. (3) Approved the proposal for the 2022 performance target plan for managerial officers. (4) Approved the proposal for ratification of the employee remuneration and bonuses to the Company's managerial officers (Assistant Vice Presidents or

Date of Meeting (Term-Session)	Major Resolutions
	<p>above).</p> <p>(5) Approved the amendment to the “Management Regulations on the Remuneration of Directors and Functional Committee Members”.</p> <p>(6) Approved the proposal for independence and suitability evaluation report of the CPAs appointed by the Company for 2022.</p> <p>(7) Approved the proposal for the CPAs’ fees for the Company’s financial statements and taxation.</p> <p>(8) Approved the proposal for adjustment to D-Link Group's global investment structure.</p> <p>(9) Approved the proposal for application for renewal of a short-term credit line and derivatives trading to banks.</p> <p>(10) Approved the release of non-competition restrictions for the Company’s managerial officers.</p> <p>(11) Approved the release of non-competition restrictions for directors.</p> <p>(12) Approved the proposal of convening the 2022 Annual General Shareholders' Meeting.</p> <p>(13) Approved matters relating shareholders’ proposals for the Company’s 2022 Annual General Shareholders' Meeting.</p> <p>(14) Approved the amendment to the Company’s “Group Tax Policy and Management Regulation”.</p> <p>(15) Approved the amendment to the Company’s “Corporate Governance Best Practice Principles”.</p> <p>(16) Approved the amendment to the Company’s “Corporate Social Responsibility Best Practice Principles”.</p> <p>(17) Approved the amendment to the “Seal Management Regulations”.</p> <p>(18) Approved the amendment to the Company’s “Information Security Management Policy”.</p>
2022.03.29 12-15	<p>(1) Approved the proposal for 2021 employees' and Directors' compensation distribution.</p> <p>(2) Approved the Company’s 2021 business report and financial statements.</p> <p>(3) Approved the 2022 business plan and budget proposal.</p> <p>(4) Approved the earnings distribution for 2021.</p> <p>(5) Approved the cash dividends from capital surplus.</p> <p>(6) Approved the amendment to the “Articles of Incorporation”.</p> <p>(7) Approved the amendment to the “Regulations Governing the Acquisition and Disposal of Assets”.</p> <p>(8) Approved the revision of the reason for convening the Company’s 2022 Annual General Shareholders' Meeting.</p>
2022.04.12 12-16	<p>(1) Approved the proposal for issuance of restricted stock awards.</p> <p>(2) Approved the revision of the reason for convening the Company’s 2022 Annual General Shareholders' Meeting.</p>
2022.05.03 12-17	<p>(1) Approved the 2022 Q1 consolidated financial statements.</p> <p>(2) Approved the amendment to “Internal Audit System and Implementation Rules” and establishment of the “Internal Audit Procedures” and “Internal control system self-assessment operating procedures”.</p> <p>(3) Approved the proposal for application for renewal of credit line and derivatives trading with banks.</p> <p>(4) Approved the proposal for application for renewal of credit line and derivatives trading with banks.</p>

Date of Meeting (Term-Session)	Major Resolutions
	<ul style="list-style-type: none"> (5) Approved the proposal for application for renewal of credit line with banks. (6) Approved the proposal for application for renewal of credit line and derivatives trading with banks.
2022.08.12 12-18	<ul style="list-style-type: none"> (1) Approved the details of allocation of 2021 employees' compensation for managerial officers. (2) Approved the 2021 bonus for the general manager of the Pan-European business group. (3) Approved the amendment to the "Management Regulations on the Remuneration of Directors and Functional Committee Members". (4) Approved the amendment to the "Rules for Performance Evaluation of Board of Directors". (5) Approved the 2022 Q2 consolidated financial statements. (6) Approved the proposal for providing endorsement guarantee to 100% indirectly invested subsidiary of the Company. (7) Approved the proposal for application for renewal of credit line and derivatives trading with banks. (8) Approved the proposal for application for renewal of credit line and derivatives trading with banks. (9) Approved the amendment to the "Internal Audit Implementation Rules" and "R&D cycle". (10) Approved the amendment to the "Budget management policy".
2022.11.04 12-19	<ul style="list-style-type: none"> (1) Approved the Company's 2023 annual audit plan. (2) Approved the amendment to the "Implementation Measures for the Whistleblowing System". (3) Approved the proposal for reviewing policies, systems, structures and standards of the Company's directors and managerial officers' performance evaluation and remuneration. (4) Approved the adjustment of the managerial officers' 2022 performance indicators (CEO and President). (5) Approved the establishment of the "Succession Planning for Senior Manager". (6) Approved the amendment to the "Human Rights Policy and Management Plan". (7) Approved the amendment to the "2022 Restricted Stock Award Plan". (8) Approved the 2022 Q3 consolidated financial statements. (9) Approved the new acquisition of right-of-use assets by the subsidiary of the Company. (10) Approved the proposal for cash capital reduction by the subsidiary of the Company. (11) Approved the proposal for application for renewal of credit line and derivatives trading with banks. (12) Approved the proposal for application for renewal of credit line and additional derivatives trading with banks. (13) Approved the amendment to the "Regulations Governing Procedure for Board of Directors Meetings". (14) Approved the amendment to the "Audit Committee Charter". (15) Approved the amendment to the "ESG Committee Charter". (16) Approved the amendment to the "Risk Management Policies and Procedures". (17) Approved the amendment to the "Procedures for Materiality Management and Prevention of Insider Trade".

Date of Meeting (Term-Session)	Major Resolutions
	<p>(18) Approved the amendment to the “Regulations For Management of Financial and Non-financial Information”.</p> <p>(19) Approved the amendment to the “Regulations for Filing of Public Information”.</p>
2023.02.22 12-20	<p>(1) Approved the proposal for the 2022 Internal Control System Statement.</p> <p>(2) Approved the Company’s 2022 business report and financial statements.</p> <p>(3) Approved the earnings distribution for 2022.</p> <p>(4) Approved the 2023 business plan and budget proposal.</p> <p>(5) Approved the proposal for independence and suitability evaluation report of the CPAs appointed by the Company for 2023.</p> <p>(6) Approved the appointment of the Company's CPA.</p> <p>(7) Approved the proposal for the CPAs’ fees for the Company’s financial statements and taxation.</p> <p>(8) Approved the establishment of the “Non-Assurance Services Pre-approval Policy”.</p> <p>(9) Approved the proposal for evaluation of managerial officers' 2022 performance results.</p> <p>(10) Approved the amendment to the “2022 Restricted Stock Award Plan”.</p> <p>(11) Approved the release of non-competition restrictions for the Company’s managerial officer.</p> <p>(12) Approved the proposal for 2022 employees' and Directors' compensation distribution.</p> <p>(13) Approved the details of allocation of 2022 directors’ compensation.</p> <p>(14) Approved the proposal for application for renewal of credit line and derivatives trading with banks.</p> <p>(15) Approved the proposal for addition of the authorized traders for derivatives trading.</p> <p>(16) Approved the proposal of convening the 2023 Annual General Shareholders' Meeting.</p> <p>(17) Approved the proposal for election of the 13th board of directors.</p> <p>(18) Approved matters relating shareholders’ proposals for the Company’s 2023 Annual General Shareholders' Meeting from the shareholders with at least a 1% stake in D-Link.</p> <p>(19) Approved the acceptance and the nomination of nine seats of directors (including three seats of independent directors) from the shareholders with at least a 1% stake in D-Link.</p> <p>(20) Approved the abolishment and re-establishment of the "Rules and Procedures of Shareholding’s Meeting”.</p> <p>(21) Approved the amendment to the “Operational Procedures for Lending Funds to Others”.</p> <p>(22) Approved the amendment to the “Operational Procedures for Endorsements and Guarantees”.</p>

(XIII) Major Issues of Record or Written Statements Made by any Director Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Printing Date of this Annual Report:

Date of Meeting	Term-Session	Major Resolutions
2022.02.22	12-14	Proposal: Proposal for the release of non-competition restrictions for the Company's managerial officers. Directors' dissenting opinions: Director Alan Yu, the representative of Pu Ju Investment Co., Ltd., Director John Lee, and Director Howard Kao expressed reservations about this proposal, while Director David Tai, the representative of Pu Ju Investment Co., Ltd., expressed opposition to this proposal.
2022.03.29	12-15	Proposal: Proposal for the cash dividends from capital surplus. Directors' dissenting opinions: Director Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., Director John Lee, and Director Howard Kao expressed opposition to this proposal.
2022.05.03	12-17	Proposal: Proposal for the 2022 Q1 consolidated financial statements. Directors' dissenting opinions: Director John Lee requested the management team to explain the reasons for the decrease in gross profit margin and response measures.
2022.08.12	12-18	Proposal: Proposal for the 2022 Q2 consolidated financial statements. Directors' dissenting opinions: Director John Lee, Director Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., expressed reservations to this proposal.

(XIV) A Summary of Resignations and Dismissals of the Company's Chairperson, President, Chief Accounting Officer, Financial Manager, Internal Auditor, Corporate Governance Officer, or Research and Development Officer During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report:

Title	Name	Date of Appointment	Date of Termination	Reasons for resignation or dismissal
President	Mark Chen	2020.08.11	2023.01.06	Resigned

V. Information Regarding CPA Professional Fees

(I) CPA Professional Fees in the Most Recent Year

Unit: NT\$ Thousand

CPA Firm	Name of CPAs	Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
KPMG Taiwan	Chiu-Hua Hsieh	2022.01.01 2022.12.31	\$4,050	\$1,400	\$5,450	Non-audit fees were mainly fees related to certification of profit-seeking enterprise income tax returns filed, employee salary review service, transfer pricing report, certification of value-added non-value-added business tax direct deduction method, and review opinion for issuance of restricted stock award.
	Pao-Lien Chou	2022.01.01 2022.12.31				

(II) Where the CPA Firm was Replaced, the Audit Fees Paid in the Fiscal Year When the Replacement was Made were Less Than that in the Previous Fiscal Year Before Replacement, the Amount of Audit Fees Paid Before/After Replacement and Reasons Thereof Shall be Disclosed: Not applicable.

(III) Where Accounting Fee Paid for the Year was More Than 10% Less Than that of the Previous Year, the sum, Proportion, and Cause of the Reduction Shall Be Disclosed: Not applicable.

VI. Replacement of CPA: Not applicable.

VII. The Company's Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters Who Has, in the Most Recent Year, Held a Position at the Accounting Firm of its CPA or at an Affiliated Firm: None.

VIII. Equity Transfer or Changes in Equity Pledged by the Company's Directors, Managerial Officers, or Shareholders with Shareholding Percentage Exceeding 10% in the Most Recent Year as of the Publication Date of this Annual Report:

(I) Shareholding Changes of Directors, Managerial Officers and Major Shareholders

Unit: Share

Title	Name	2022		Up to 2023.03.31	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Chairperson	Victor Kuo (Representative of Young Syun Investment Co., Ltd.)	0	0	0	0
Institutional Director	Young Syun Investment Co., Ltd.	0	0	0	0
	Representative: Joseph Wang	0	0	0	0
Institutional Director	Pu Ju Investment Co., Ltd.	0	0	0	0
	Representative: David Tai	0	0	0	0
	Representative: Alan Yu	0	0	0	0
Director	Howard Kao	0	0	0	0
Independent Director	Richard Chen	0	0	0	0
Independent Director	Richard Lee	0	0	0	0
Independent Director	Chun-Hsiung Chu	0	0	0	0
CEO	CJ Chang	0	0	0	0
Senior Vice President	Sara Cheng	0	0	0	0
CFO	Joanne Chen	0	0	0	0
Director of Materials	Rita Huang	0	0	0	0
Vice President	Kevin Chung	0	0	0	0
Deputy Director	Claire Chou	0	0	0	0

Title	Name	2022		Up to 2023.03.31	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Corporate Governance Officer	Wynne Ho	0	0	1000	0
Director	John Lee (Resigned on 2022.09.28)	0	0	N/A	N/A
President	Mark Chen (Resigned on 2023.01.06)	0	0	N/A	N/A
Advisor	Fred Fong (Resigned on 2022.08.01)	0	0	N/A	N/A

(II) Stock Transfer with Related Party: None.

(III) Stock Pledged with Related Party: None.

IX. Information on the Relationship Between the Top 10 Shareholders of the Company

2023.04.01

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name and Relationship between DLC's Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relation	
Sapido Technology Inc. Representative: Yun-Chin Li	59,818,400	9.97	0	0.00	00.00	00.00	—	—	—
E-Top Metal Co., Ltd. Representative: Ching-Li Yen	28,904,189	4.82	0	0.00	00.00	00.00	—	—	—
Yitongyuan investment Co., Ltd. Representative: Chun-Yi Huang	25,949,857	4.33	0	0.00	00.00	00.00	Young Syun Investment Co., Ltd.	Controlling company	—
							Chun-Yen Huang	The sister of the spouse	
Pu Ju Investment Co., Ltd. Representative: Lori Hu	15,939,120	2.66	0	0.00	00.00	00.00	—	—	—
Chia Hwa Investment Co., Ltd. Representative: Feng-Yun Chou	11,454,000	1.91	0	0.00	00.00	00.00	—	—	—
Vanguard Emerging Markets Stock Index Fund a Series of Vanguard International Equity Index Funds	7,378,400	1.23	0	0.00	00.00	00.00	—	—	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	7,312,584	1.22	0	0.00	00.00	00.00	—	—	—
Young Syun Investment Co., Ltd. Representative: Chun-Yen Huang	5,998,400	1.00	0	0.00	00.00	00.00	Yitongyuan Investment Co., Ltd.	subordinate company	—
							Chun-Yi Huang	the spouse of the sister	
Norges Bank	5,956,658	0.99	0	0.00	00.00	00.00	—	—	—
Chien Chin Investment Co., Ltd. Representative: Chih-Hao, Chien	5,434,069	0.91	0	0.00	00.00	00.00	—	—	—

X. The Shareholding of the Same Invested Company by the Company, the Directors, the Managerial officers, or Another Business that is Controlled by the Company Directly or Indirectly

2022.12.31; Note 1: Refers to company limited

Investee	Investment by the Company		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managerial Officers of the Company		Total Investments	
	Shares	%	Shares	%	Shares	%
D-Link Canada Inc.	5,736,000	100.00	0	0.00	5,736,000	100.00
D-Link Systems, Inc.	48,045,007	100.00	0	0.00	48,045,007	100.00
D-Link Holding Company Ltd.	68,062,500	100.00	0	0.00	68,062,500	100.00
D-Link (Europe) Ltd.	0	0.00	32,497,455	100.00	32,497,455	100.00
D-Link AB	0	0.00	15,500	100.00	15,500	100.00
D-Link (Magyarország) Kft	0	0.00	300	100.00	300	100.00
D-Link France SARL	0	0.00	114,560	100.00	114,560	100.00
D-Link Polska Sp. Z.o.o.	0	0.00	100	100.00	100	100.00
D-Link Iberia SL	0	0.00	50,000	100.00	50,000	100.00
D-Link s.r.o.	0	0.00	100	100.00	100	100.00
D-Link (Netherlands) BV	0	0.00	50,000	100.00	50,000	100.00
D-Link Mediterraneo SRL	0	0.00	50,000	100.00	50,000	100.00
D-Link (Deutschland) GmbH	0	0.00	Note 1	100.00	Note 1	100.00
D-Link (Holdings) Ltd.	0	0.00	3	100.00	3	100.00
D-Link (UK) Ltd.	0	0.00	300,100	100.00	300,100	100.00
D-Link Adria d.o.o.	0	0.00	Note 1	100.00	Note 1	100.00
OOO D-Link Russia	0	0.00	Note 1	100.00	Note 1	100.00
Success Stone Overseas Corp.	0	0.00	9,822	100.00	9,822	100.00
D-Link Holding Mauritius, Inc.	0	0.00	200,000	100.00	200,000	100.00
D-Link (India) Ltd.	0	0.00	18,114,663	51.02	18,114,663	51.02
TeamF1 Networks Private Ltd.	0	0.00	10,500	100.00	10,500	51.02
D-Link Shiang-Hai (Cayman) Inc.	0	0.00	50,000	100.00	50,000	100.00
D-Link (Shanghai) Co., Ltd.	0	0.00	Note 1	100.00	Note 1	100.00
Netpro Trading (Shanghai) Co., Ltd.	0	0.00	Note 1	100.00	Note 1	100.00

Investee	Investment by the Company		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managerial Officers of the Company		Total Investments	
	Shares	%	Shares	%	Shares	%
D-Link International Pte. Ltd.	66,074,660	99.36	425,340	0.64	66,500,000	100.00
D-Link Korea Limited	0	0.00	330,901	100.00	330,901	100.00
D-Link Trade M	0	0.00	Note 1	100.00	Note 1	100.00
D-Link Russia Investment Co. Ltd.	0	0.00	25,000,000	100.00	25,000,000	100.00
D-Link Malaysia Sdn Bhd	0	0.00	800,000	100.00	800,000	100.00
D-Link Service Lithuania, UAB	0	0.00	1,000	100.00	1,000	100.00
D-Link Sudamerica S.A.	199,999	100.00	1	0.00	200,000	100.00
D-Link Mexicana S.A de C.V	152,066	100.00	3	0.00	152,069	100.00
D-Link Japan K.K.	9,500	100.00	0	0.00	9,500	100.00
D-Link Australia Pty Ltd.	1,000,000	100.00	0	0.00	1,000,000	100.00
D-Link Middle East FZCO	5	83.33	1	16.67	6	100.00
D-Link Brazil LTDA.	2,964,836,727	100.00	100	0.00	2,964,836,827	100.00
D-Link Investment Pte. Ltd.	2,200,000	100.00	0	0.00	2,200,000	100.00
OOO D-Link Trade	0	0.00	Note 1	100.00	Note 1	100.00
T-COM, LLC	0	0.00	Note 1	40.00	Note 1	40.00
D-Link Latin-America Company Ltd.	41,000	100.00	0	0.00	41,000	100.00
D-Link Peru S.A.	0	0.00	3,500	100.00	3,500	100.00
D-Link de Colombia S.A.S.	0	0.00	1,443,605	100.00	1,443,605	100.00
D-Link Guatemala S.A.	0	0.00	99,000	99.00	99,000	99.00
D-Link Argentina S.A.	0	0.00	100	100.00	100	100.00
Yeo-Tai Investment Ltd.	14,600,000	100.00	0	0.00	14,600,000	100.00
Xtramus Technologies Co., Ltd.	0	0.00	1,832,446	41.18	1,832,446	41.18
Cameo Communications, Inc.	137,532,993	41.58	0	0.00	137,532,993	41.58
MiiiCasa Holding (Cayman) Inc.	0	0.00	21,000,000	28.98	21,000,000	28.98

Note : Investments accounted for using equity method.

Chapter 4 Capital Overview

I. Capital and Shares

(I) Sources of Capital

Unit: NT\$ Thousand; 2023.03.31

Month/ Year	Issued Price	Authorized capital		Paid-in Capital		Remarks		
		Shares (K)	Amount (NT\$ thousands)	Shares (K)	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash	Other
Aug. 2006	10	880,000	8,800,000	675,378	6,753,780	Capital increase from retained earnings 119,432 thousand. Capital increase from employee bonus by 65,000 thousand. Capital increase from capital surplus by 477,729 thousand.	—	08/21/2006 Department of Commerce, MOEA No. 09501184120
Nov. 2006	10	880,000	8,800,000	663,378	6,633,780	Reduction of treasury shares by 120,000 thousand.	—	11/28/2006 Department of Commerce, MOEA No. 09501266710
Aug. 2007	10	880,000	8,800,000	683,846	6,838,456	Capital increase from retained earnings 132,676 thousand. Capital increase from employee bonus by 72,000 thousand.	—	08/14/2007 Department of Commerce, MOEA No. 09601196230
Nov. 2007	10	880,000	8,800,000	547,076	5,470,765	Cash capital reduction 1,367,691 thousand.	—	11/21/2007 Department of Commerce, MOEA No. 09601286290
Aug. 2008	10	880,000	8,800,000	565,218	5,652,180	Capital increase from retained earnings 109,415 thousand. Capital increase from employee bonus by 72,000 thousand.	—	08/19/2008 Department of Commerce, MOEA No. 09701205030
Sep. 2009	10	880,000	8,800,000	647,580	6,475,803	Capital increase from retained earnings 823,623 thousand.	—	09/08/2009 Department of Commerce, MOEA No. 09801206030
Oct. 2014	10	880,000	8,800,000	635,580	6,355,803	Reduction of treasury shares 120,000 thousand.	—	10/17/2014 Department of Commerce, MOEA No. 10301214590

Month/ Year	Issued Price	Authorized capital		Paid-in Capital		Remarks		
		Shares (K)	Amount (NT\$ thousands)	Shares (K)	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash	Other
Oct. 2014	10	880,000	8,800,000	647,756	6,477,557	Capital increase from retained earnings 121,755 thousand.	—	10/17/2014 Department of Commerce, MOEA No. 10301214590
Sep. 2015	10	880,000	8,800,000	678,803	6,788,032	Capital increase from retained earnings 155,237 thousand. Capital increased by capital surplus 155,237 thousand.	—	09/02/2015 Department of Commerce, MOEA No. 10401179680
Nov. 2015	10	880,000	8,800,000	676,996	6,769,962	Reduction of treasury shares 18,070 thousand.	—	11/27/2015 Department of Commerce, MOEA No. 10401253760
Apr. 2016	10	880,000	8,800,000	651,996	6,519,962	Reduction of treasury shares 25,000 thousand.	—	04/07/2016 Department of Commerce, MOEA No. 10501064990
Oct. 2021	10	880,000	8,800,000	599,836	5,998,365	Cash capital reduction 521,597 thousand.	—	10/05/2021 Department of Commerce, MOEA No. 11001171690

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	599,836,473	280,163,527	880,000,000	Listed

Information Relating to the Shelf Registration System: None

(II) Shareholder Composition

Reference date: 2023.04.01

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other legal entities	Individuals	Foreign Institutions and foreign individuals	Total
	Number of shareholders	2	1	223	74,467	225
Number of shares held	174	12,800	178,305,143	352,387,688	69,130,668	599,836,473
Shareholding Ratio (%)	0.00	0.00	29.73	58.75	11.52	100

(III) Distribution of Shareholding

Reference date: 2023.04.01

Range of number of shares held	Number of shareholders	Shareholding (shares)	Shareholding Ratio (%)
1—999	41,327	8,256,620	1.38
1,000—5,000	22,420	52,965,815	8.83
5,001—10,000	5,409	42,321,897	7.06
10,001—15,000	1,707	21,308,244	3.55
15,001—20,000	1,166	21,252,886	3.54
20,001—30,000	949	24,048,796	4.01
30,001—40,000	462	16,364,773	2.73
40,001—50,000	344	15,832,364	2.64
50,001—100,000	639	45,532,656	7.59
100,001—200,000	264	37,481,019	6.25
200,001—400,000	129	35,542,467	5.93
400,001—600,000	40	19,764,896	3.3
600,001—800,000	12	8,116,093	1.35
800,001—1,000,000	11	9,970,791	1.66
1,000,001 or more	39	241,077,156	40.18
Total	74,918	599,836,473	100.00

(IV) List of Major Shareholders

Reference date: 2023.04.01

Name of Major shareholders	Shares	Shareholding (shares)	Shareholding Ratio (%)
Sapido Technology Inc.		59,818,400	9.97%
E-Top Metal Co., Ltd.		28,904,189	4.82%
Yitongyuan investment Co., Ltd.		25,949,857	4.33%
Pu Ju Investment Co., Ltd.		15,939,120	2.66%
Chia Hwa Investment Co., Ltd.		11,454,000	1.91%
Vanguard Emerging Markets Stock Index Fund a Series of Vanguard International Equity Index Funds		7,378,400	1.23%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds		7,312,584	1.22%
Young Syun Investment Co., Ltd.		5,998,400	1.00%
Norges Bank		5,956,658	0.99%
Chien Chin Investment Co., Ltd.		5,434,069	0.91%

(V) Market Price, Net Worth, Earnings, and Dividends Per Share and Relevant Information in the Most Recent Two Years

Unit: NT\$; thousand shares; %

Item	Year		2021	2022
	Market Price Per Share (Note 1)	Highest		30.65
Lowest		16.2	13.8	
Average		20.69	16.39	
Net Worth Per Share (Note 2)	Before Distribution		14.13	14.85
	After Distribution		13.83	14.63
Earnings Per Share	Weighted Average Shares		643,610	599,837
	Earnings Per Share (Note 3)		0.38	0.18
Dividends Per Share	Cash Dividends		0.30	0.2246
	Stock Dividends	From Retained Earnings	—	—
		From Capital Surplus	—	—
	Accumulated Unpaid Dividends (Note 4)		—	—
Return on Investment Analysis	Price/Earnings Ratio (Note 5)		54.45	91.06
	Price/Dividend Ratio (Note 6)		68.97	72.97
	Cash Dividend Yield (Note 7)		1.45%	1.37%

* If shares are distributed in connection with a capital increase out of earnings or capital surplus, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year- end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustment is required due to distribution of stock dividends, the earnings per share before and after adjustment shall be entered.

Note 4: If the conditions for the issuance of equity securities stipulate that the unpaid dividends in the year can be accumulated till the year in which there is a surplus, the cumulative unpaid dividends up to the year shall be disclosed separately.

Note 5: Price/Earnings Ratio = Average closing price per share for current fiscal the year / Earnings per share.

Note 6: Price/Dividend Ratio = Average closing price per share of the year / Cash dividend per share.

Note 7: Cash Dividend Yield Rate = Cash dividend per share / Average closing price per share for the current fiscal year.

Note 8: Net worth per share and earnings per share shall be based on the information, audited (reviewed) by CPAs, in the most recent quarter as of the publication date of the Annual Report. The remaining fields shall be based on the information in the current year up to the publication date of the Annual Report.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy:

In response to the overall business environment and the nature industrial growth, the Company's long-term financial planning recruitment of domestic and foreign talents and pursuit of sustainable business operations, the Company adopts a residual dividend policy.

The Company's "Articles of Incorporation" provides that the Company's annual profit, if any, at the end of the year, it shall be distributed in the following order: (1) Tax payment.

(2) Set off accumulated deficits (3) Appropriate 10% as legal reserve. (4) Appropriate or return to special reserve pursuant to regulations formulated by the competent authority. (5) If there is a surplus after the preceding deductions, the balance and the accumulated undistributed surplus will be determined by the Board for distribution. Shall the remuneration be distributed in form of new shares, such matter shall be resolved by the Shareholders' Meeting before distribution thereof. The total amount of shareholder dividends shall be no less than 30% of the distributable profit of the year.

As stipulated by Article 240 and 241 of the Company Act, the Company may distribute the dividends to be distributed, or all or part of the legal reserve and capital reserve in form of cash and report to the Shareholders' Meeting, after such matter has been determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors.

Dividend types: Based on the Company's capital budget plan, stock dividends may be distributed to retain the required funds, and the rest are distributed in in form of cash, provided that the cash dividends are not less than 10% of the total dividends.

2. Proposed Dividend Distribution at the Shareholders' Meeting:

The dividend distribution of the Company in 2022 was approved by the Board of Directors on February 22, 2023. The cash dividend of NT\$0.2246 per share will be distributed based on the shareholders and the number of shares held recorded in the register of shareholders on the distribution date of cash dividends. After reporting to shareholders' meeting on May 31, 2023, the Chairperson is authorized to set the ex-dividend date, distribution date and other matters.

(VII) Impact of Issuing Stock Dividend Proposed in this Shareholders' Meeting on the Company's Operational Performance and Earnings Per Share: Not applicable.

(VIII) Compensation of Employees and Directors

1. Information Relating to Percentage or Scope of Compensations for Employees and Directors in the "Articles of Incorporation":

The Company shall distribute 1% to 15% of the current year's profit for employee remuneration and no more than 1% of the current year's profit for the remuneration to Directors. However, the Company shall reserve a portion to make up for the losses in advance, if applicable.

2. The Basis for Estimating the Amount of Remuneration to Employees and Directors, for Calculating the Number of Shares to be Distributed as Employee Compensation, and the Accounting Treatment of the Discrepancy, if any, Between the Actual Distributed Amount and the Estimated Figure, for the Current Period:

The remuneration to the Company's employees and directors is estimated based on the Company's net income before tax for the period less the employees' remuneration and directors' remuneration multiplied by the percentages for employees' remuneration and directors' remuneration stipulated in the "Articles of Incorporation" and recognized in operating costs or operating expenses for the same period. Any difference between the estimated amount and the amount distributed as resolved by the Board of Directors is accounted for as changes in estimates and recognized in the subsequent year's profit or loss.

3. Distribution of Remuneration of Employees and Directors Approved by the Board of

Directors:

- (1) Amount of remuneration distributed to employees and Directors in the form of cash or stock: The Board of Directors approved employees' remuneration of NT\$7,371,623 and directors' remuneration of NT\$737,162 on February 22, 2023, and all paid in cash.
- (2) The amount of any employee remuneration distributed in stocks, and the amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial report: Not applicable.

4. Information of Distribution of 2021 Remuneration of Employees and Directors (with an Indication of the Number of Shares, Monetary Amount, and Stock Price, of the Shares Distributed) and, if there is Any Discrepancy Between the Actual Distribution and the Recognized Employee and Director Remuneration, Additionally the Discrepancy, Cause, and How it is Treated:

In 2021, the Company's actual distribution of employees' compensation and directors' remuneration were \$12,621 thousand and \$1,262 thousand, respectively. There is no difference between the amounts approved by the board of directors.

(IX) Buy-back of the Company's Treasury Stock: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Status of Restricted Stock Award: The Company approved the resolution on the issuance of restricted stock awards at the shareholders' meeting on May 27, 2022, obtained approval from the FSC on November 30, 2022, and authorized the Board of Directors for issuance within one year upon approval.

VI. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VII. Financing Plans and Implementation: None.

Chapter 5 Operational Overview

I. Business Activities

(I) Business scope

1. Main Lines of Business

The Company sells networking and connectivity systems and products for service providers, small and medium businesses, enterprises, and consumers. In recent years, we have developed cloud applications and management platforms, and provided three major application service solutions: smart home, smart business, and smart industry.

2. Revenue of Major Product Lines

Unit: NT\$ Thousand

Products	The Company		All Consolidated Entities	
	Total Sales Amount in 2022	Percentage of Sales (%)	Total Sales Amount in 2022	Percentage of Sales (%)
Networking Products	6,937,651	95.81	16,875,066	98.81
Service revenue	303,178	4.19	202,822	1.19
Total	7,240,829	100.00	17,077,888	100.00

3. Current Main Products

➤ Commercial Product Line

- (1) **Switch products:** In response to the renewal of product generations, we updated the hardware solution of L3 managed switch DXS-3410/DGS-3630. In addition, with respect to Smart switch products, we have completed the 2.5G product series DMS-1100, added 10G Smart switch product DXS-1210, and added 100G/25G L3 core Switch product DQS-5000 to complete the product series of switches required by enterprises and SMEs. To assist customers in centrally managing their products, D-Link also provides D-View8 management platform with standard SNMP supporting.
- (2) **Enterprise Access Point(EAP) and VPN Gateway Products:** In the promotion of VPN Gateway series, D-Link has cooperated with Japanese telecom customers to launch DBG-X2000 and DBG-X1000 products. The integration with the Nuclias Cloud management platform provides customers with an integrated management interface for their network development services, which can respond to the services under various local network architectures. In addition, the updated Wi-Fi 6 EAP product series not only supports standalone usage, but also can be integrated with Nuclias Connect (DNH-100/DNC-100) to enable customers to easily have a centralized EAP management solution, while integrating the applications of VPN Gateway DRS-250 and Nuclias Connect, allowing customers to control not only the EAP but also the VPN Gateway when deploying local services so as to provide a more secure environment for the entire local network services.

➤ Home Product Line

- (1) **Home Wireless Routers:** The development of the Wi-Fi 6 160Mhz product is

going on. To inheriting the intelligent functions of Eagle PRO AI, the Matter series products are under planning and developing for the home IoT network series. Beside broadband router series, D-Link will keep developing the integrating applications with Wi-Fi dongle and VR scenario in Wi-Fi 6 product series.

- (2) **IP Camera and IoT:** The main development will focus on working with service application vendors for cloud-to-cloud service connection this year. Beside serving original user, D-Link also focus on integrating specific service based on original cloud service to increase the scope of cloud service. The application of IOT is also integrated with the services of cloud platform for industry cooperation.

➤ **Telecom Product Line**

- (1) **Broadband Network Products:** We continue to develop XGPON product lines, mainly XGPON modems. The Company will promote 2 box home network solutions integrated with Wi-Fi Mesh products. In addition to the demand of telecom providers, we have also started to plan and develop related products with third-party partners.
- (2) **Mobile Broadband Products:** The As the release of 5G-NR 3GPP R16 specification, 5G mobile communication broadband sharing will develop 5G CPE and 5G ODU with integrating Wi-Fi 6. Integrating the product series of AX1500 LTE Cat4/Cat6 with Wi-Fi mesh function, it is expected to meet the different requests form telecom provider.
- (3) **M2M Industry Application:** The Company launches the industrial applications integrated with the Internet devices. The main feature of the product is that it can be used in various special environment. The product series mainly supports LTE/5G networks, as well as Ethernet and Wi-Fi. The Company promotes the Internet access of devices in various industries, the collection and monitoring of data and status, and the integration of D-ECS platform functions to provide the entire industry with an Internet access solution. At present, there are some applications in the public transportation in Europe and Southeast Asia.

➤ **Cloud Service Platform**

Inheriting the existing D-Link cloud service platform, the Company has implemented unified management, monitoring, access, and sharing of network applications for consumer (mydlink), commercial (Nuclias / D-View), and industrial (D-ECS) products, providing home users, SMEs network, and system service providers with a more convenient cloud management platform solution, thereby saving the costs of architecture and time of establishment, and enhancing the product value of various product lines of the Company. In addition, the promotion of the service fee mechanism can increase the Company's revenue and enable the platform service to operate more steadily towards sustainable operation.

4. New products and Technologies Under Development

➤ **Commercial Product Line**

- (1) **Switch Products:** The demand for Internet bandwidth traffic is increasing year by year, and the demand for large bandwidth switches is also on a rise. Based on the existing switch product lines, D-Link continues to focus on the development of 10G/100G related switch product lines to cope with the increasing demand for bandwidth in business application scenarios.
- (2) **Enterprise Access Point(EAP) and VPN Gateway Products:** Given the wireless generation with the prevalence of Wi-Fi-6 for home use, D-Link is planning to

move from Wi-Fi-6 80Mhz to Wi-Fi-6 160Mhz for the enterprise wireless base station product line, while developing new Classic and Lite products for enterprise wireless base stations. Due to the increased awareness of network transmission security, many application scenarios require VPN deployment. Regarding the VPN product planning, in addition to the existing products, D-Link is also updating our products, focusing on the development of products that enhance the VPN efficiency to meet the demand for secure data transmission and transmission speed.

➤ **Home Product Line**

- (1) **Home Wireless Routers:** Wireless products are gradually adopting Mesh as their main function in the market; therefore, we continue to update the functions of Mesh products for generations in the development of related products. In addition, with the launch of the Wi-Fi 7 solution, we plan to follow the release of the standard specification for further development. The products are expected to be launched by the end of the year.
- (2) **IP Camera and IoT:** With the official release of the Matter 1.0 specification, we have planned the D-Link IoT product chain. First of all, we will focus on the applications of Matter smart plug and digital camera, and launch the total IoT solution of D-Link, integrating the Matter eco-chain solution through Wi-Fi, BT, Thread and other interfaces.

➤ **Telecom Product Line**

- (1) **Broadband Network Products:** The XGPON product series will be enhanced to complement the basic GPON product line, integrate D-Link' existing Wi-Fi product line, APP applications, and cloud platform services to provide a complete solution for the use of home broadband network, and assist telecom operators in establishing device management services at low construction costs.
- (2) **Mobile Broadband Products :** We will focus on the development of 5G mobile broadband devices which integrated Wi-Fi 6 and Wi-Fi 7 mobile broadband products for home use, together with broadband network solutions, to cover more than 80% home networking applications, enabling D-Link to become a strong support for the telecom product lines and strength our competitiveness in the market.
- (3) **M2M Industry Application :** We will successively launch an integrated solution of LTE/5G mobile devices and industrial switch and promote private network solutions for 5G mobile networks. D-Link will focus on supporting the Internet access needs in the industrial applications.

➤ **Cloud Service Platform**

Beside adding new products to the service list under the existing service architecture, D-Link expands project services actively based on the existing supporting devices so as to increase platform service revenue.

(II) Industry Overview

1. Development Status of the Industry

(1) Local Area Network (LAN)

Given the low-cost and easy-to-install characteristics of Ethernet, the LAN cabling at the network access layer and above around the world is still dominated by Ethernet. With the evolution of mobile Internet technology and the needs for greater bandwidth, 2.5G/ 10G/100G switches will gradually replace Gigabit switches.

The popularity of mobile Internet has compensated for the inability to deploy wired network backbones in some regions. In addition, the speed of 5G mobile communication networks has led to the replacement of wired networks. In terms of the home networking, the changing habits of consumers have brought about a further need for replacement of wireless routers in the home. Wireless routers are becoming more attractive and integrated into home life due to the demand for faster, more stable, and easier settings, the concept of wireless network access at every corner, as well as the simple, modern design that blends in with the living room, along with the connection to various voice assistants. It is expected to drive a huge wave of replacement.

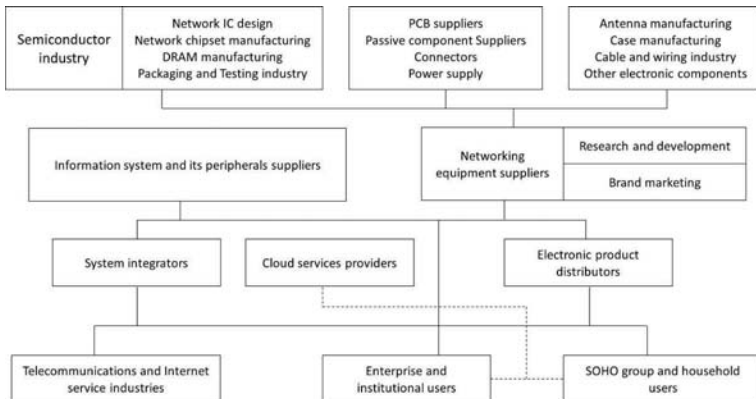
As Amazon, Google, and Apple are leading the Matter specification, home IoT related products are bound to be launched one after another, and integrated with the promotion of various applications such as Home Care and Home Automation, which will definitely drive the market demand of such industry in these years.

(2) Wide Area Network

At present, broadband Internet access medium is entering the fiber optic generation at a faster pace. Various passive optical network (PON) technologies are also thriving, including EPON, GPON, GEAPON, and 10G PON. With the increasing popularization of Wi-Fi 6/6E/7 and mobile 5G, 10G PON, with its advantages of 10 times the downlink and unlink transmission speed and supporting Mobile Backhaul, has become the mainstream technology, taking the network market by storm.

Although LTE is still the mainstream of wireless wide area communication, 5G is bound to become the key infrastructure, with the increasing demand for greater bandwidth and the various services driven by technologies such as AI and big data. In addition to networking devices that access the Internet via 5G network, 5G O-RAN and Mobile Edge Computing are important areas for networking industry development.

2. Relevance of Upstream, Midstream, Downstream of the Industry



3. Development Trend and Competition of Products

(1) Innovation Results and Core Values Over the Past Three Years

A. Focus on the development of a variety of cloud applications and solutions through the D-Link Cloud

At the end of 2011, the Company first launched the "Nuclias Series" platform for

the networking industry. In recent years, it has gradually introduced various applications and integrated commercial solutions to the platform, which has brought the Nuclias to be more in line with customers' needs. The Nuclias cloud platform integrates various products, including switches, wireless access points, and security gateways. It allows customers to set up a wireless LAN (hot spot) in a very short time, to not only lower the technical threshold for users, reduce the manpower, time, and cost required for network management but enhance network security.

In addition, after years of cultivation in the home cloud “mydlink”, D-Link has also commenced C2C services, cooperating with different Internet service providers to offer specific service models through mydlink, with the capability of D-Link devices.

B. D-Link Security Surveillance Service Solution

The mydlink service solution is centered on surveillance, and the existing switches, IoT, and software are integrated into one cloud service platform to allow customers to select, purchase, operate, and maintain security control equipment and systems more conveniently and easily, which significantly saves users' time and cost. Moreover, products of the same brand can avoid the issue of product incompatibility and provide users with a more stable security surveillance environment.

D-Link has also commenced C2C services through the home cloud “mydlink”, cooperating with different Internet service providers to offer specific service models through mydlink, with the capability of D-Link devices.

C. LTE /5G Advanced Technology Application

The Company's advanced cloud mobile solutions can help mobile operators provide users with ultra-fast Internet speeds to allow them to enjoy high throughput and greater mobility. The integration and innovation of LTE/5G routers and cloud services will completely change users' perception and habits of using the Internet. In the future, users can connect to the Internet through various CPE products anytime and anywhere, and experience the freedom and fun of the real high-quality mobile Internet access.

(2) Product Competition

At present, the leading players in high-end networking products are major networking companies in the United States. Major companies are leading the technology in the core layer of network, while the Company's strengths lie in the products at the aggregation layer and the access layer of network.

In terms of enterprise network, major competitors include Cisco and HP. As the Company has been devoted to the field of Ethernet for many years, it has established a complete supply chain ecosystem, including software and hardware R&D, production, technological support, as well as customer education and training. Although facing the threat of low-price competition from China's companies, the Company is still very competitive.

In wireless LANs, low-end switches, and broadband product segments, low-priced brands, such as TP-Link, have developed rapidly in China and emerging countries, which has resulted in price competition in the retail/telecom market. In addition to consolidating the supply chain to reduce costs, the Company will enhance its technology and services to gain customers' recognition and break away from the price

competition.

(III) Technologies and Recent R&D Efforts

1. R&D Expenditure in the Most Recent Two Years

Unit: NT\$ Thousand

Year	The Company	Consolidated Company
2022	333,990	530,747
2021	587,011	873,752

2. Product/System Development Success and Specific Results

The Company launches new upgraded, improved, or innovative products every quarter. The Company remains a global leading brand in wireless, broadband, SMEs and home network product markets. The main products recently launched include cloud switches, 2.5Gbps smart switches, enhanced enterprise integrated wireless solutions; EAGLE PRO AI Wi-Fi Mesh routers, bridges, and access points; multifunctional wireless broadband 4G/5G routers and developed AIoT applications in various industries; high-resolution two-way IP cameras for real-time voice chat, peripheral devices related to smart homes, and cloud network management platforms.

Year	Item
2011	<ul style="list-style-type: none"> (1) Smart TV-related support network multimedia playing function, over-the-top (OTT) service, somatosensory games, and online community functions, such as D-Link Boxee Box, D-Link Yahoo Box, and D-Link Android Box (2) A new generation of 10G Data Center switches. (3) mydlink instant online security monitoring technology on iPhone, iPad, and Android Phone. (4) HD media routers that support wireless transmission of high-definition video and audio. (5) Smart Antenna, a wireless base station that supports longer transmission distances. (6) Wireless transmission that supports Intel wireless display to TV. (7) USB3.0 cards and hubs.
2012	<ul style="list-style-type: none"> (1) The hybrid network power cord wireless router and wireless base station that also support 802.11n wireless network and power cord network, with a transmission speed of up to 300Mbps (wireless)/500Mbps (power cord). (2) 802.11ac wireless routers and AP and USB/PCIE wireless network cards. (3) mydlink cloud network product series, including cloud routing, cloud storage, cloud monitoring. (4) Various apps in cloud routing, cloud storage, cloud monitoring on smart phones and tablets. (5) mydlink solutions for commercial cloud services. Intelligence video surveillance system (IVS).
2013	<ul style="list-style-type: none"> (1) Baby Cam: a series of dedicated webcam for baby care. (2) High-sensitivity nighttime full-color series network cameras. (3) 11ac + 3G + IP cam portable mobile routers. (4) mydlink shareport mobile device integrated data access. (5) D-store business linkage solutions. (6) The 11ac version of all wireless devices is fully launched.
2014	<ul style="list-style-type: none"> (1) Smart home IoT: Guji Cloud wirelessly connects smart homes with the mydlink cloud platform to provide a complete solution in wireless service, security, and energy conservation to ensure

Year	Item
	<p>connected operation with mydlink Home app.</p> <p>(2) UI and Web UI icons are updated; simple setting can be carried out through with mydlink lite, mydlink home, and QRS app.</p> <p>(3) The LTE smart home gateway leads the world with LTE CAT6(300Mbps), and the 11ac 3x3 router provides VoLTE and Wi-Fi-calling voice services on the OSGi JAVA open platform.</p> <p>(4) Logging onto Facebook fan page through Facebook Wi-Fi allows for the free use of Wi-Fi services to enhance interaction with customers.</p> <p>(5) Company BYOD certification and authorization solution.</p>
2015	<p>(1) Cloud services platform and enterprise cloud equipment.</p> <p>(2) A new generation of high-power output PoE switches and metro Ethernet switches.</p> <p>(3) mydlink Home series of services and products.</p> <p>(4) A new generation of 11ac Wave2 routers.</p> <p>(5) 4G LTE machine-to-machine (M2M) and vehicle communication modules.</p>
2016	<p>(1) Apple Homekit certified 180° IP-CAM.</p> <p>(2) Wave 2 MU-MIMO AC1900/2600.</p> <p>(3) Business cloud for telecom.</p> <p>(4) Launched smart industrial switches.</p> <p>(5) Tri-band AP with the Smart Antenna function.</p>
2017	<p>(1) Mesh is integrated into the switches and routers.</p> <p>(2) A new generation of digital camera product groups, such as LTE, battery, and dual-eye camera.</p> <p>(3) AI-related technologies, e.g., face recognition are applied to digital camera products.</p> <p>(4) 5G generation product planning and vertical market exploration.</p>
2018	<p>(1) Data Center switches.</p> <p>(2) Nuclias enterprise cloud management system that supports Hot Spot AP, switches, and cameras.</p> <p>(3) Exploration of 5G mobile communication broadband gain routers and 5G small cell technology.</p> <p>(4) Vertical integration of artificial intelligence, facial recognition, license plate recognition, camera, network storage, 4G router, cloud management systems, toll systems, and complete solutions.</p> <p>(5) Mesh home wireless routers and secured home wireless routers.</p> <p>(6) Complete smart home solutions.</p>
2019	<p>(1) Cloud switches.</p> <p>(2) 2.5Gbps smart switches.</p> <p>(3) New Covr series of cross-generation Mesh wireless network routers.</p> <p>(4) Door and window sensors, motion detection sensors, and smart switches that support Amazon Echo Plus.</p> <p>(5) LTE M2M VPN/Wi-Fi wireless routers.</p> <p>(6) 5G NR wireless routers and MiFi (sub-6GHz).</p>
2020	<p>(1) A wireless router in alignment with the 802.11ax wireless standard (Wi-Fi 6).</p> <p>(2) A variety of 5G mobile wireless routers will provide a full range of solutions, including DWP-1020 5G outdoor CPE, DWR-978 5G wireless router, and DWR-2101 5G Wi-Fi 6 wireless router.</p> <p>(3) The new body temperature measurement solution, DCS-9500T.</p> <p>(4) EasyMesh™ dual-band wireless router, COVR-1100.</p>

Year	Item
	<ul style="list-style-type: none"> (5) New smart network management switches: DXS-1210 series and DGS-1520 series. (6) DCS-8526LH Full HD rotary wireless network camera. (7) DSP-W320 outdoor wireless smart socket.
2021	<ul style="list-style-type: none"> (1) Launched the EAGLE PRO AI series wireless router, including Wi-Fi 6/5/4 product series, with the wireless sharing function, combined with many AI analysis functions to inform users of home network status. (2) Introduced Multi-G stackable smart network management switches to meet speed requirements of different applications. (3) Included the mobile router in Wi-Fi 6, equipped with the EasyMesh and the EAGLE PRO AI functions, with the wired network sharing function, allowing users to expand the scope of sharing through the EasyMesh function in the mobile sharing mode. (4) Adopted the new-generation chipset for 5G mobile routers and launched outdoor and indoor models as well as industrial 5G mobile gateways, with models corresponding to various needs during the emergence of 5G applications. (5) Launched a new generation of IP Cam solutions and reduce product lines, and launched Taiwan chip manufacturers' latest solutions, which have already met the market demand.
2022	<ul style="list-style-type: none"> (1) The peripheral Wi-Fi-6 USB Dongle DWA-F18, developed in cooperation with Meta in VR products, wirelessly transmits data to completely enhance the wired ecology of VR and entirely expand the VR space applications. (2) We are launching various series of Multi-G switch solutions one after another. (3) Nuclias Cloud platform services and VPN network security switches are updated for the next generation. (4) 5G mobile communication products are updated to 3GPP R16 compliant solutions and integrated with the Wi-Fi-6 technology. (5) Solutions to build a C2C business model for cloud platform services.

(IV) Long- and Short-term Business Development Plans

1. Short-term Development Strategy

(1) Cooperate with High-quality ODMs to Establish a Controllable Supply Chain System with Close Relationships.

D-Link, as one of a few networking brand companies in Taiwan, has established subsidiaries and nearly 100 sales offices around the world. The Company will be committed to forming in-depth strategic alliances with high-quality networking ODMs to distribute advanced products to the distribution channels so as to maximize the benefits of the brand.

(2) Reshape D-Link's brand image and enhance brand value from three aspects, specifications and prices, functional performance, and corporate identity (CI).

The Company's products will feature "optimal cost" and "outstanding and user-satisfactory performance", and the Company will launch the EAGLE PRO AI series with corporate identity (CI) product appearance and user experience in home, commercial, and industrial markets, to gradually win over customers and polish D-Link's brand image.

(3) Meeting the needs of each industry with the required specifications and functions.

By providing the specifications and functions required by each industry, the Company will expand its market share to reduce the competition of products with general specifications.

2. Medium and long-term Development Strategy

(1) Achieve the extreme simplification of the supply and management of networking products with cloud computing as the main pillar.

For general consumers and SMEs, the operation and maintenance (installation, maintenance, upgrade, and management) of networking products are still quite a challenging task. The Company's mydlink, D-ECS, and Nuclias cloud systems are the most user-friendly systems to use and manage. In the future, "cloud functions" and "scope of products covered" will be expanded to fully achieve the concept of convenient networking services.

(2) Create stable and advanced networking products with excellent radio frequency and high-speed signal technology.

Networking products have entered a new era of intensive technologies, such as 10Gbps transmission and millimeter wave media. Radio frequency and high-speed signal technology will be the Company's advantages to surpass its competitors. The Company will continue to develop in this field in the future and maintain its leading position in technology and products.

(3) Strengthening cooperation with Tier 2 and Tier 3 telecom operators to secure long-term contracts with localized services.

The Company will focus on total solutions, including aggregation switch, broadband router (DSL, GPON, 4G/5G), home router (Wi-Fi/Mesh Router), together with network management system, software customization and update tools, remote maintenance management platform and localization services to secure long-term contracts.

II. Market and Sales Overview

(I) Market Analysis

1. Sales Regions of Main Products

Unit: NT\$ Thousand

Year		2021		2022	
		Amount	Percentage (%)	Amount	Percentage (%)
Region	America	5,922	0.42	793,231	10.95
	Europe	73,924	5.31	1,547,964	21.38
Export	Asia and others	670,649	48.16	4,281,350	59.13
	Subtotal	750,495	53.89	6,622,545	91.46
Domestic Sales		642,080	46.11	618,284	8.54
Total		1,392,575	100.00	7,240,829	100.00

Note: To present the figures of the Company.

Unit: NT\$ Thousand

Region \ Year		2021		2022	
		Amount	Percentage (%)	Amount	Percentage (%)
Export	America	1,599,246	10.30	1,332,290	7.80
	Europe	5,036,179	32.44	4,887,624	28.62
	Asia and others	8,250,293	53.14	10,239,690	59.96
	Subtotal	14,885,718	95.88	16,459,604	96.38
Domestic Sales		639,183	4.12	618,284	3.62
Total		15,524,901	100.00	17,077,888	100.00

Note: To present the consolidated figures of the Company.

2. Overview of Supply and Demand and Projected Growth

According to the latest data released by IBISWorld in August 2022, the total monthly Internet traffic in 2022 was approximately 335.3 EB (1 EB = 103 PB = 106 TB = 109 GB), an increase of approximately 21% compared to 278.1 EB per month in 2021. Although the growth of Internet traffic has slowed down compared to the past growth of several times to tens of times, the annual traffic, including video streaming, Internet browsing, various online games, gaming platforms and social networks, has continued to grow due to the change of user habits. The growth in traffic is complemented by the demand for network infrastructure and equipment, which includes carrier switches and data center switches, access network equipment, enterprise-level switches, wireless access points, wireless routers, broadband and mobile routers, and other networking equipment.

(1) Switch

The switch market, which is the backbone of the network, has always been the biggest beneficiary of traffic growth. Just as higher-end switches and management systems is required for core network and data centers require switches that are highly scalable and capable of handling large amount of data exchanging as well as supporting redundancy, the enterprise market needs to gradually upgrade and replace legacy switches in response to the increasing data processing needs and reduce O&M Cost. Therefore, the switch market will always thrive. According to Gartner's Enterprise Networking Equipment Forecast (2Q22), the expenditure of the entire enterprise networking equipment market grew from US\$66.9 billion in 2020 to US\$80.6 billion in 2022, with a conservative estimate of US\$94.5 billion by 2026; of which, enterprise switches and data center switches grew from US\$33.6 billion in 2020 to US\$39.3 billion in 2022, with an estimate of US\$41.8 billion by 2026.

(2) Wi-Fi Product

In addition to backbone switches, Wi-Fi routers are the central hub of home networking devices. Various mobile devices such as mobile phones, tablets, smart TVs, and IoT devices require the router as a relay to connect to the internet at home. In recent years, the home wireless routers and wireless extenders markets have surged against the trend as a result of the boost in demand for remote operations due to the impact of the pandemic. According to the report on home wireless router market share released by the BRI (Business Research Insights) in December 2022, the market size is estimated to be US\$2.97 billion in 2022 and US\$5.07 billion in 2028, with a compound annual growth rate of approximately 7.7%.

(3) Mobile & Broadband Router

Global telecom service providers are turning to fiber optic networks in response to the limitation of copper bandwidth. According to a market research institution, the

market value of GPON in 2021, including OLT (Optical Line Terminal), ONU (Optical Network Unit), ONT (Optical Network Terminal) and ODN (Optical Distribution Network), was amounted to over US\$10 billion in aggregate, and is estimated to reach as high as US\$30 billion in 2028, with an annual compound growth rate of over 10%. Among which, XGS-PON has gradually replaced GPON (2.5Gbps) with its symmetric advantage (10Gbps for both uplink and downlink) to meet the demand of next generation network for video uploading and sharing. Since the launch of 5G network in various countries, the adoption rate and coverage has gradually increased and caught up with 4G LTE. According to the report issued by Ericsson, a leading telecom equipment provider, in November 2022, 5G subscribers will reach 1 billion by the end of 2022, and is estimated to reach 5 billion by 2028, therefore it is expected that 5G infrastructure, including base stations and transmission line, will be largely deployed in the coming years. Comparing to fixed broadband such as DSL or GPON which will need a cabling to reach subscribers' home at higher cost and much longer time, 5G FWA (Fixed Wireless Access) can easily reach subscribers' home via air interface, as a result it has become the most cost-effective alternative to deliver broadband services to rural area without laying a cable. According to TrendForce, a market research institution, 5G FWA equipment shipments will reach 7.6 million units in 2022, representing an annual growth rate of 111% compared to 3.6 million units in 2021, and are estimated to reach as high as 22.5 million units by 2025. In addition, 5G that integrated with AI and cloud computing technologies can develop various applications and services, such as IoV, smart monitoring, remote industrial control, etc. It is also one of the most important infrastructures in the AIoT. All the major networking companies have been preparing for the most important growth stage of mobile broadband routers, and are seeking opportunities for corporate transformation by adopting new business models as appropriate.

(4) AIoT

With more and more mature of key technologies to AIoT, lots of emerging application and services are gradually affecting people's work and life. According to Gartner IoT Forecast Report (2022, Jan), the overall IoT market will grow from US\$366 billion in 2021 to US\$767.2 billion in 2030, with a compound annual growth rate of approximately 8.6%. Among which, the global revenue of various surveillance cameras (commercial, residential, outdoor, and automatic number-plate recognition) will grow from US\$47.5 billion in 2021 to US\$94.5 billion in 2030, representing a compound annual growth rate of approximately 7.9%. In addition, the IoT related applications, including vehicles, smart buildings, industrial automation, smart transportation, medical, retail, etc., will bloom in the next decade, connecting more individuals, families, companies, organizations, and even data, knowledge, entertainment, career, and life.

3. Competitive Niche

- (1) We continue to create product differentiation and market segmentation through our strong R&D team and cross-industry alliances with our leading cloud service platforms and continuous launch of innovative products.
- (2) The overall networking product lines are complete, and core advantages can be created with solutions and service business models.
- (3) The Company has well-established marketing and service channels around the world, with the advantages of instant local services and production as well as customization.

- (4) We work with the world's leading service providers to thoroughly understand the needs and trends of new technologies in telecom segment, and provide industry-leading solutions with feedback from our global marketing network.

4. Favorable and Unfavorable Factors for Long-term Growth and Countermeasures

(1) Favorable Factors

A. The Global Networking Market has Development Potential

According to the latest ITU-T estimates, the global Internet users will reach 5.3 billion in 2022, an increase of approximately 400 million people from 4.9 billion people in 2021, representing an annual growth rate of 8.2%. In addition, the total global Internet bandwidth was 932 Tbit/s in 2021, an annual growth rate as high as 30% from 719 Tbit/s in 2020. In addition to the rising demand for mobile devices, the network infrastructure has continued to accelerate the replacement. Various emerging applications and services, such as smart home, IoV, smart store, and remote industrial control, have become matured. The booming networking industry and market has brought about infinite business opportunities.

B. The Company will Work Closely with Upstream Chip Suppliers to Highlight Brand Value with Differentiated Software

The Company will form strategic alliances with major networking chip suppliers to strive to launch its products to the market in the shortest possible time with the first launch of new chips adopted. The Company will provide software with excellent performance to increase customer stickiness to the brand.

C. Global Operations and Local Services

D-Link has established subsidiaries and nearly 100 sales offices in more than 50 countries around the world. The business covers a population of approximately 6.7 billion, accounting for 85% of the global population. It integrates global resources to provide the operation model of local services.

D. Flexible and Efficient Supply Chains

In order to reduce manufacturing costs and increase shipment flexibility, the current supply chains are mainly in Taiwan and mainland China. In the future, the supply chains can be applied to countries that require "local production" through turnkey transfer at any time to comply with local regulations.

E. Keeping Abreast of Customer Needs

We can create a smart home environment with mydlink as a platform, a smart enterprise environment with Nuclias as a platform, and a smart industrial environment with D-ECS as a platform to further provide customers with the best application services.

F. Cross-industry Strategic Alliance

D-Link has actively worked with the major telecom/distributors/third-party software suppliers around the world as strategic partners to create an advantage for growth, mutual benefit, and a win-win outcome.

(2) Unfavorable Factors

A. Intense Market Competition and Price-undercutting Pressure

New competitors are gradually entering the market, leading to a price war, which will affect the Company's profit.

Countermeasures:

- a. To reduce prices with large quantities by reducing the number of suppliers and

- reducing the number of product models to concentrate on a few ones.
- b. Reduce the distribution levels, investment in e-commerce, strengthen branches' ability to serve customers, and replace the low-price competition with the overall service quality.
- c. We are developing a series of service-oriented solutions to replace the previous single product competition, including enterprise cloud solutions, consumer cloud integration, and three smart applications, in order to provide differentiated products and services, create market segmentation, and break away from red sea price competition.
- d. Master the core networking technology to improve product quality and respond to market demand quickly.

B. Market Shrinkage by Geopolitical Tensions and Inflation

The ongoing war between Russia and Ukraine, inflation and the monetary tightening cycle by central banks worldwide are likely to bring about a crowding-out effect in the Netcom consumer market, further worsening the current state of rising inventory levels in the retail market, which is expected to affect the achievement of the 2023 target.

Countermeasures:

- a. Closely monitor market changes with overseas branches and adjust supply and demand in time.
- b. We will invest more resources in the enterprise and telecom markets to meet our customers' medium- and long-term strategic goals and replace products with services to increase our sustainable source of revenue.

(II) Main Uses and Production Process of the Main Products

1. Key Applications of Main Products

Main Products	Key Applications
Switches	Relieving network bandwidth to achieve the purpose of fast data transmission.
Internet Equipment	Connecting and integrating multiple devices between different networks.
Digital Subscriber Line Devices	Providing broadband access to telephone lines.
Wireless Network Equipment	Local area network composed of wireless transmission technology.
Home Network Equipment	Providing home computer and peripheral network equipment through the Internet and telephone lines.
Digital Home Appliances	Providing home digital devices and wireless home security automatic control devices for audio-visual multimedia applications.
Network Security Equipment	Providing network transmission security.
Optical Access Equipment	Relieving the network bandwidth to achieve the purpose of data security and fast transmission.
Mobile Communication Equipment	Connecting Internet applications through mobile communication networks.

2. Production Process of Main Products

The Company does not engage in the manufacture of products. All products were outsourced manufactured.

(III) Supply Status of Main Materials

As the Company does not engage in the manufacturing of products, the supply of raw materials is not applicable.

(IV) Information of Major Suppliers and Clients

1. Information of important suppliers and clients in the most recent two years: The consolidated Company did not have any clients whose individual amount accounted for more than 10% of the total sales revenue in 2022 and 2021.
2. Major suppliers in the most recent two years:

Unit: NT\$ Thousand

Item	2021				2022			
	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with the Issuer
1	Company H	1,367,433	11	—	Cameo Communications, Inc.	1,631,359	13	Affiliated companies of the Company
2	Alpha Networks Inc.	1,197,765	10	—	Alpha Networks Inc.	997,738	8	—
3	Cameo Communications, Inc.	1,043,972	9	Affiliated companies of the Company	Company I	960,029	7	—
4	Other	8,491,540	70	—	Other	9,309,255	72	—
	Net purchases	12,100,710	100	—	Net purchases	12,898,381	100	—

Analysis of changes: As a result of the change in sales portfolio, the proportion of purchases from Cameo Communications, Inc., Alpha Networks Inc. and Company I increased and the proportion of purchases from Company H decreased.

Note 1: The name, total trade amount, and the proportion to the total purchase of major suppliers that have accounted for at least 10% of procurement in the most recent two years. However, for those suppliers whose name cannot be disclosed according to the contract, or the trade counterpart is a non-related party individual, a code name can be used instead.

Note 2: Only the consolidated operating figures are demonstrated.

(V) Production Volume and Value in the Most Recent Two Years: Not applicable.

(VI) Sales Volume and Value in the Most Recent Two Years

Unit: NT\$ Thousand/Pcs (EA)

Main Products	Annual Sales Value and Volume		2021				2022			
			Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount		
Networking Products	368,960	604,680	33,269,917	14,759,827	2,616,441	503,248	33,935,200	16,371,818		
Service Revenue	—	34,503	—	125,891	—	115,262	—	87,560		
Total	368,960	639,183	33,269,917	14,885,718	2,616,441	618,510	33,935,200	16,459,378		

Remarks: Only the consolidated operating figures of the Company are demonstrated.

III. Employee Statistics for the Most Recent Two Years

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Labor	0	0	0
	Indirect Labor	555	515	530
	Total	555	515	530
Average Age		39.78	41.67	41.61
Average Years of Service		6.73	7.07	7.02
Education Distribution Percentage (%)	Ph. D	0.54	0.19	0.19
	Master	34.05	29.32	29.25
	Bachelor	52.25	55.53	55.65
	High school	12.43	14.95	14.91
	Below high school	0	0	0

IV. Environmental Protection Expenditures

Any losses suffered by the Company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

V. Labor Relations

(I) Implementation of Employee Welfare System

1. Employee Welfare Measures

- (1) Insurance: In addition to employee insurance in accordance with the government's regulations, the Company provides free employee group insurance and family preferential group insurance. Employees are also provided with travel safety insurance and medical insurance coverage for sudden illnesses during overseas business trips, so that employees can work without worries.
- (2) Facility: The Company not only provides comfortable and novel workplace in the Neihu office but also sets up an employee restaurant, coffee bar, outdoor coffee shop, vending machines, employee lounge and employee fitness center, basketball court, aerobics dance classroom, and various fitness equipment for employees. In addition, the Company hired two disabled massage therapists to provide employees with stress relief massage.
- (3) Other Welfare: D-Link Employee Welfare Committee is responsible for various employee benefit services, such as: It subsidizes employees to establish clubs and organize various club activities and holds small and medium-sized activities in the Company to build employees' consensus; each employee can apply for a birthday subsidy every quarter, which can be used for gatherings or afternoon tea in the department; In 2022 and 2023, each employee is eligible to apply for travel subsidies

on a pro-rata basis for employees with less than one year of service. The Company provides subsidies for wedding, birthday, childbirth, funeral, hospitalization, emergency assistance, etc.; the Company provides employees with cash gifts on three major holidays.

2. Continuing Education and Training

Based on the organizational strategy, vision and value, the Company has been developing a comprehensive training program for new employees, general employees, junior supervisors, middle-level supervisors and senior supervisors, and other staff attributes. Based on off-the-job training, on-the-job training, and self-development, the Company aims to strengthen the human capital of the organization and build the D-Link learning system to enhance the sustainable management capability of the Company.

Under the Company's learning system, the off-the-job training includes new employee training, general training, professional training, and management training. On-the-job training includes work substitution arrangement, job coaching, job expansion and job enrichment to extend the depth and breadth of the work, and further accumulate professional strengths through coaching and assistance, participation in different projects, or internal classroom sharing. Self-development includes education, study, or participation in internal and external book clubs and seminars to enhance ability.

The Company has planned a complete training program for new recruits, including orientation on the first day of arrival, which helps new recruits quickly understand the Company's system and related benefits in a focused, in-depth manner. Subsequently, the Company arranges regular education training for new employees, introducing information about the Company's history, core value, products, and occupational safety and health in compliance with laws and regulations to strengthen the sense of belonging and recognition of the Company. Since October 2022, the Company has also included "Human Rights Promotion", "Intellectual Property and Personal Data Act Promotion", "Ethical Management Promotion" and "Gender Equality and Prevention of Sexual Harassment in the Workplace Promotion" as mandatory courses for new employees.

The Company encourages employees to participate in internal classroom and work experience sharing. Depending on the job attributes and professional skills required by each unit, we offer training courses internally or arrange external organizations for relevant professional training. Senior employees also have the opportunity to take on coaching and mentoring roles to help new employees/interns/work-study students quickly integrate into the work and life at D-Link.

At the same time, the Company offers common training that incorporates corporate sustainability goals, health promotion and legal compliance needs, and provides training and promotion through various channels (video broadcast on TV on the first floor lobby, internal/external physical or online courses), including courses related to intellectual property and Personal Data Act, courses related to ethical management, courses related to gender equality and prevention of sexual harassment in the workplace, courses related to human rights, courses related to information security awareness, courses related to legal compliance, and seminars related to health promotion, in order to enhance the work-life balance of employees.

In 2022, the Company arranged a total of 206 training sessions, with a total of 5,755 participants and 8,022.7 hours of course time; 143 internal training sessions were held, with 5,644 participants and 7,250.7 hours of course time; 63 external training sessions were held, with 111 participants and 772 hours of course time; 65 training sessions were held for

new employees, with 227 participants and 516 hours of course time. 4 corporate sustainability-related courses were held, with 1,994 participants and 1,248.5 hours of course time; 6,977 corporate sustainability-related videos were played, with a total of 296.8 hours.

In addition to the pursuit of business growth and profitability, corporate sustainability relies on long-term adaptive education and development of talent. From 2022 to March 2023, the Company cooperated with nine schools, including Tsing Hua University, Taipei University of Education, Taiwan Ocean University, Tamkang University, United University, Yuan Ze University, Aletheia University, Taipei University of Technology, and Takming University of Science and Technology, to employ a total of 11 interns and 6 work-study students to the Company for internship or work-study through the universities' industrial internship or work-study program. It aims to provide a bridge for students to be in line with the industry in advance, and arrange coaches to provide timely guidance for further cultivation. In June 2022, the Company cooperated with National Taiwan University of Science and Technology to establish the "D-Link Group Scholarship", offering 10 full scholarships for master's degrees to encourage and subsidize Ukrainian and other foreign students to study in Taiwan. In the future, these international students will also have the opportunity to join the Company or its group companies for internship and employment. In addition to enhancing global talent deployment and achieving the vision of sustainable corporate development, the Company also hope to take the lead to introduce to and nurture more technology talent in Taiwan.

3. Retirement System

The Company's retirement matters are handled in accordance with the Labor Standards Act, and also the Labor Pension Act launched in 2005 for the implemented new pension system. The Company's employees may choose between the old or new pension system based on their own will. For the old pension system, the Labor Retirement Reserve Fund Supervisory Committee is established, and a Labor Retirement Reserve Fund Account is set up according to the law, to which a fund is appropriated monthly accordingly. The retirement reserve fund is set aside at 2% of the actual salary at the contribution rate approved by the competent authority on a monthly basis and deposited in a special account in the Bank of Taiwan.

The Company amended its employee retirement regulations in April 2020, which were approved by the Department of Labor, Taipei City Government. The balance of the Bank of Taiwan's labor retirement reserve fund is NT\$80,571 thousand. In 2022, the Company recognized pension expense of NT\$622 thousand and recorded a defined benefit asset of NT\$10,204 thousand in excess of the defined benefit obligation in the retirement reserve fund account. For employees who meet the retirement requirements under the law, pension payments are based on the length of service and the average salary for the six months prior to retirement, with two bases for each year of service up to and including 15 years and one base for each year of service over 15 years, subject to a maximum accumulation of 45 bases. In accordance with Article 3 of the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds, the accumulated amount of the Company's labor retirement reserve fund is sufficient to cover the future retirement of all employees who chose the old pension system. After consideration and approval by the Labor Retirement Reserve Fund Supervisory Committee, the Company has reported to the Department of Labor, Taipei City Government to suspend the appropriation of the labor retirement reserve fund from January 2023 to December 2023 (Notice of Department of Labor, Taipei City Government No. 1126002643).

The Labor Retirement Reserve Fund Supervisory Committee meets once every three months. In 2022, the Labor Retirement Reserve Fund Supervisory Committee held four meetings (3/25, 6/24, 8/8, 12/6), and may hold temporary meetings if necessary. In 2022, a total of two applications for labor retirement reserve fund under the old pension system were approved, and the pension were paid in accordance with law.

In accordance with the Labor Pension Act, the Company's defined contribution plan is based on a contribution rate of 6% of employees' monthly wages to the individual labor pension accounts at the Bureau of Labor Insurance, while overseas subsidiaries make contributions in accordance with the relevant local laws and regulations. The Company and overseas subsidiaries recognized pension expense of NT\$118,269 thousand in 2022.

4. Labor-management Agreements

As the Company has attached great importance to labor-management harmony and employee' rights and benefits since the establishment, our labor-management relations have been harmonious and positive. We hold labor-management meetings regularly every quarter to discuss labor-management issues and reach consensus through thorough communication.

The Company started the "Appointment with Supervisor" event at the end of 2022.

Through this activity, employees can interact directly with senior executives and express more ideas and opinions.

- (1) In 2022, the Company held 4 labor relations meetings, and all the motions were voted by the representatives of both employers and employees. All the employees' responses were appropriately answered by the relevant units or departments. In addition, the minutes of the four labor relations meetings in 2022 have been published for the information of the employees.

*Time/date and motions of labor-management meetings:

Date/Time of Meeting	Meeting Agenda
10:00, March 22, 2022 (Wednesday)	[Motion 1] Amendment to the Work Rules [Motion 2] The leave requirement for health check-ups of employees. [Motion 3] Is there more than one approved health check-up facility available for employees to choose from? [Motion 4] Does the Company provide assistance in applying for national defense leave?
10:00, June 22, 2022 (Wednesday)	[Motion 1] D-Link 2023 business calendar [Extemporary Motion 1] In response to the pandemic, the Company currently offers remote work applications. If the pandemic is over, can the Company provide remote work applications for other diseases (e.g., enterovirus, influenza, etc.)?
10:00, September 21, 2022 (Wednesday)	None.
10:00, December 21, 2022 (Wednesday)	[Motion 1] The time for the quarterly labor relations meeting in 2023 is set.

*Employee feedback of labor-management meetings:

Date/Time of Meeting	Meeting Agenda
10:00, March 22, 2022 (Wednesday)	No employee feedback.
10:00, June 22, 2022 (Wednesday)	No employee feedback.
10:00, September 21, 2022 (Wednesday)	<p>[Feedback1] Is it possible to leave work half a day earlier on important holidays?</p> <p>[Feedback2] Is there a "birthday leave" measure? Employees can choose a day off in the month of your birthday.</p> <p>[Feedback3] Will there be a "start-of-school leave for children of the first grade in the elementary school"?</p> <p>[Feedback4] Is there a "scholarship for children's education"?</p> <p>[Feedback5] Can people with long-term family care needs or pregnant women apply to work from home?</p> <p>[Feedback6] Can those who work past 9: 30 a.m. and clock in to work take 0.5 hours off and work until 6: 30 p.m.?</p> <p>[Feedback7] Is there an increase in meal subsidies for employees to increase their willingness to have meals?</p> <p>[Feedback8] Is there a possibility to reinstate the "shuttle bus" that was used before the pandemic?</p> <p>[Feedback9] Can we consider adding a lunch box order service?</p>
10:00, December 21, 2022 (Wednesday)	<p>[Feedback1] Can we add accidental medical insurance to our group insurance?</p> <p>[Feedback2] The traffic congestion in the Neihu is getting worse, can we extend the flexible working hours by half an hour?</p> <p>[Feedback3] Can the flat parking spaces be restored to basketball courts?</p>

- (2) In December 2022, the Company started to hold the "Appointment with Supervisor" event to provide more opportunities for employees to interact directly with senior executive. As of the end of March 2023, four events were held, with 11 applicants and a total of 10 participants.
- (3) The Employee Welfare Committee of D-Link holds regular welfare committee meetings to provide employee-related benefits. A total of 9 Employee Welfare Committee meetings were held in 2022.
- (4) The Company launched the employee satisfaction and engagement survey in December 2022. The survey was completed in January 2023, with a completion rate of 71.5% and a valid response rate of 64.4%.

5. Protection Measures for Employees' Rights and Interests

The Company's protection of employees' rights and interests, in addition to the actual

implementation in accordance with the relevant laws and regulations, the management will improve the software and hardware facilities based on the employees' needs. In a year where there is a surplus, employees are also paid with compensation according to the Company's "Articles of Incorporation", so that employees can share the results of the operations.

In addition, the Company has set up internal complaint channels, and employees can file complaints through the channels below:

Complaint hotline: (02) 6600-0123 ext.1850

Complaint mailbox: A complaint may be placed in the complaint mailbox next to the HRD mailbox of the Human Resources Department on the 1st floor of the Company or mailed to D-Link850 employee complaint mailbox at (114) No. 289, Xinhua 3rd Road, Neihu District, Taipei City.

Complaints email: dlink850@dlinkcorp.com

6. Protection Measures for Work Environment and Employees' Personal Safety

In addition to following the regulations and guidelines of the central competent authority, the Company has passed the certification of the ISO 9001 quality management system (the certificate is valid from Nov. 1, 2019, to Nov. 1, 2022), ISO 14001 environmental management system (the certificate is valid from Oct. 29, 2021, to Oct. 29, 2024), and the latest version of the ISO 45001 occupational safety and health management system (the certificate is valid from Jan. 31, 2022, to Jan. 30, 2025). Through the certification by these professional organizations, the Company's environmental maintenance and employees' safety and health management at work are strengthened to achieve the protection of the work environment and employees' personal safety and health. Relevant operations are as follows:

- 6.1 Physical examinations for new employees and health checkups for existing employees
- 6.2 Identification, assessment, and control of work environment or job hazard
- 6.3 Management of machinery, equipment, or devices
- 6.4 Labeling and identification of hazardous materials
- 6.5 Sampling strategy planning and sample identification for hazardous operating environments
- 6.6 Matters concerning safety assessment over processes or construction in hazardous workplaces
- 6.7 Matters concerning procurement management, contract management, and management changes
- 6.8 Formulation of safety and health work standards
- 6.9 Regular inspection, key inspection, job check, and on-site inspection tour
- 6.10 Safety and health education and training
- 6.11 Management of personal protective equipment
- 6.12 Matters concerning health examination, health management, and health promotion
- 6.13 Collection, sharing, and application of safety and health information
- 6.14 Emergency response measures and training
- 6.15 Investigation, handling, and statistical analysis of occupational disasters, false alarms, and events affecting physical and mental health
- 6.16 Measures for safety and health management recording and performance evaluation

(II) Any Losses Incurred as a Result of Labor Disputes in the Most Recent Fiscal Year, and During the Current Fiscal Year up to the Publication Date of the Annual Report (Including any Violations of the Labor Standards Act found in

Labor Inspection, the Disposition Dates, Reference Numbers, the Articles Of Law Violated, the Contents of Law Violated, and the Content of the Dispositions), and an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Countermeasures Being or to be Taken Shall be Disclosed. If a Reasonable Estimate Cannot be Made, an Explanation Shall be Provided: None.

VI. Cybersecurity Risk Management Framework:

(I) Information and Communications Security Management Structure, Information and Communications Security Policy, Substantial Management Proposals, and Resources Invested in Information and Communications Security Management.

1. Information and Communications Security Management Structure

(1) Information Security Governance Organization of D-Link

The Company has established the Information Security Management Committee in 2022, with the President as the convener to supervise the implementation of the Company's information security policy. To keep abreast of the information and communication security, we, in compliance with the ISO 27001: 2013 information security management system standard and the "Regulations Governing Establishment of Internal Control Systems by Public Companies", assign the Information Technology and Security Department to be dedicated to information security and the head of the department to serve as the representative of information security management, coordinating the formulation and execution of information security and protection policies, risk management, and compliance audit. Each information security business-related unit (product, personal data, privacy, etc.) assigns its information security representative to regularly convene information security meetings to discuss information security policies and other relevant major issues and supervise the Company-wide operations of information security and the effectiveness of the information security risk management mechanism, while this organization regularly reports to the Board of Directors on the effectiveness of the overall operations and systems.

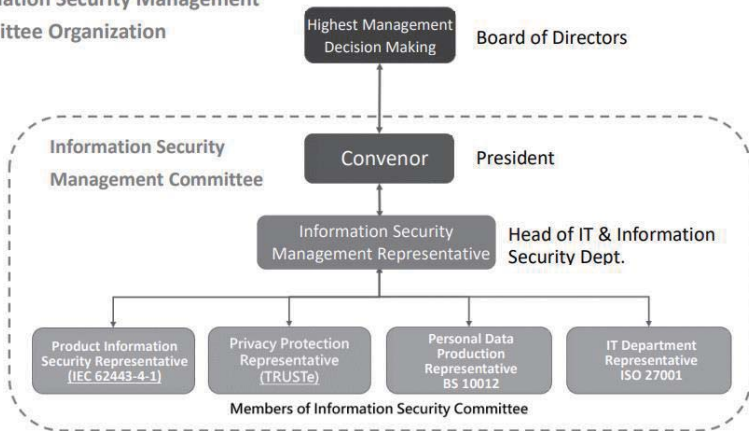
The Board of Directors adopted the "Information Security Management Policy" on February 22, 2022, and held the first Information Security Management Committee on July 25, 2022. We ensure the confidentiality, integrity, availability, and legality of our information assets through regular annual inspections.

(2) Information Security Organizational Structure of D-Link

D-Link Corporation

Information Security Management

Committee Organization



2. Information and Communications Security Policy

(1) Information Security Management Strategy and Framework of D-Link

- A. The Company has passed the ISO/IEC 27001:2013 Information Security Management System (ISMS) international standard certification. The certificate is valid from October 16, 2020, through October 15, 2023. The adoption of the ISO27001 information security management system has strengthened the ability to respond to information security incidents, thereby protecting the Company's and customers' asset security. In the third quarter of 2023, we plan to conduct external audits and obtain certification for the new three-year ISO/IEC 27001:2013 international standard and complete the conversion to ISO/IEC 27001:2022 within the deadline, incorporating the information security-related controls of the new standard into the Company's information security control regulations in order to enhance the Company's information security.
- B. The Company has passed the IEC62443-4-1:2018 Secure Product Development Lifecycle Requirements, and the certificate is valid from November 30, 2020, through November 29, 2025. With that, we follow the strictest security standards from product design, development, testing to introduction in the product life cycle.
- C. The Company has passed the BS 10012:2017 Personal Information Management System (PIMS), and the current certificate is valid from December 1, 2021, to November 30, 2024, regulating all relevant procedures and applicable documents in addition to the compliance with the EU General Data Protection Regulation (GDPR) requirements.
- D. The Company has obtained the TRUSTe Certified Privacy seal in March 2022. To duly fulfill our commitment to privacy protection and security, we have been

working closely with TrustArc Inc., a globally recognized authority on data privacy management, since 2014. It provides services, including privacy assessment, certification, and monitoring tools. Our website open to the public and domain have passed its audit and certification, and we have thus obtained the TRUSTe Certified Privacy seal. In 2023, we will continue to comply with the requirements of the standard to achieve the protection of customer data privacy.

(2) Corporate Information Security Risk Management and Continuous Improvement Framework

The Company has long been focusing on the development of network equipment and services. Information security is one of the critical tasks to which the Company attaches great importance and pays attention. Employees, organizations, suppliers, and operations-related information, and hardware and software equipment are all within the scope of concern. The Company, in compliance with ISO27001: 2013 information security management system standard, formulate information security policies, strengthens information security management and ensures that important information assets are protected from internal, external, intentional, or accidental threats to maintain the confidentiality, integrity, and availability of our information. Through information assets and risk management procedures, we have built and maintained the Company's crucial information assets based on a Plan-Do-Check-Act model to ensure the continuous operations of the Company's business, reduce business risks, improve service quality, and ensure that all information security policies, procedures, and operating guidelines can be consistently and effectively implemented in the Company.

3. Specific Management Plans

(1) Information Security Protection and Control

Network Security	<ul style="list-style-type: none"> • Adopt advanced technology to scan computers and update software, strengthen software firewalls and computer control, and prevent the spread of computer viruses.
Device Security	<ul style="list-style-type: none"> • Improve the endpoint anti-virus and virus scan mechanism to prevent ransomware and malicious programs from intruding into the Company. • Strengthen the detection of malware and Trojan horse attachments for our email system.
Application Security	<ul style="list-style-type: none"> • Develop security checks, evaluation standards, and improvement goals for application development processes. • Continue to enhance the security control mechanism for applications and patch potential loopholes.
Access Control	<ul style="list-style-type: none"> • Establish a user password management mechanism and a network security service mechanism, separate internal network from external connection, and control remote work, to safeguard network and data security.
Password Key Management	<ul style="list-style-type: none"> • To ensure the confidentiality of the Company's system operations and accounts, conduct necessary password and key management, minimize the risk of leakage, and properly protect the Company's confidential and sensitive information.
Business Continuity Management	<ul style="list-style-type: none"> • Establish a business continuity operation plan for important systems and hold exercises annually to ensure the continuous operation of the Company's business.

Information Security Incident Management	<ul style="list-style-type: none"> Establish information security incident notification and response procedures to reduce the damage caused by information security incidents.
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(2) Check and Continuous Improvement

Education And Training	<ul style="list-style-type: none"> Increase employees' vigilance against email social engineering attacks and implement phishing email defense and detection. Regularly hold business continuity exercises to increase employees' awareness of information security.
Information Security Risk Management Monitoring	<ul style="list-style-type: none"> Entrust a third party to regularly conduct assessments of the Company's information security: ISO/IEC 27001:2013 information security management system IEC 62443-4-1:2018 product security development system certification BS 10012:2017 personal data protection management system
External Threat Detection Protection	<ul style="list-style-type: none"> Entrust a third party to perform vulnerability scans on a regular basis, collect external threat information on a regular basis, and conduct risk assessments based on the information content to strengthen protection against external information security threats. The Company has joined the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) to regularly collect external threat information and conduct risk assessment based on the information content. Our information security personnel confirm and track the results of processed various information, thereby strengthening the protection against external information security threats.

4. Resources Invested in Information and Communications Security Management

In 2021, the Company passed three international information security certifications, namely ISO/IEC 27001: 2013 information security management system, IEC 62443-4-1: 2018 product security development system, and BS 10012: 2017 personal data protection management system.

In 2022, the Company convened more than 20 internal and external information security-related meetings or training sessions and conducted information security education and promotion for all employees on the internal website every quarter. We held one safety education and training and two safety simulation tests for all employees. In addition, there is 1 dedicated personnel in the dedicated information security unit, and 7 assistants in information security and network management, operation and maintenance, who receive at least a total of 24 hours of professional information security training each year.

(II) Any Losses Incurred as a Result of Major Information and Communications Safety Incident in the Most Recent Fiscal Year and Current Fiscal Year up to the Publication Date of the Annual Report, and an Estimate of Possible Expenses that could be Incurred Currently and, in the Future, and Countermeasures Being or to be Taken Shall be Disclosed. If a Reasonable Estimate cannot be Made, an Explanation shall be Provided:

- The Company passed the ISO/IEC 27001:2013 information security audit in October 2022. There were no major defects identified in the information security audit, nor significant information security incidents, such as violations of information security,

leakage of customer data, or fines taking place.

2. The Company passed the BS 10012:2017 data protection audit in October 2022. There were no major defects identified in the personal data protection audit, nor significant information security incidents, such as violation of information security and personal data protection, leakage of customers' and employees' data, or fines taking place.

In addition, there was no case of complaint, leading to a legal action taken by a third party or a competent authority against D-Link Corporation, for violation of customers' personal data protection or the loss of customers' data.

VII. Important Contracts: The company has valid contracts that do not significantly impact equity except for short-term loan contracts as of the printing date of this annual report.

Chapter 6 Financial Information

I. Condensed Balance Sheet, Statement of Comprehensive Income and CPA's Audit Opinion in the Most Recent Five Years

(I) Condensed Parent Company Only Balance Sheet—Based on IFRS

Unit: NT\$ Thousand

Item \ Year		Financial Information for Most Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,487,687	987,330	2,243,494	766,388	2,815,776
Property, Plant, and Equipment		751,255	745,800	752,385	727,507	719,682
Intangible Assets		151,887	122,932	74,300	45,462	59,415
Other Assets		10,982,572	10,200,988	8,878,933	9,424,327	9,873,738
Total Assets		13,373,401	12,057,050	11,949,112	10,963,684	13,468,611
Current Liabilities	Before Distribution	3,452,468	2,718,198	1,731,164	1,373,995	2,708,233
	After Distribution	3,582,867	2,718,198	1,926,763	1,553,946	2,842,950
Non-current Liabilities		721,446	865,438	958,453	1,112,331	1,850,706
Total liabilities	Before Distribution	4,173,914	3,583,636	2,689,617	2,486,326	4,558,939
	After Distribution	4,304,313	3,583,636	2,885,216	2,666,277	4,693,656
Equity Attributable to Owners of the Parent		9,199,487	8,473,414	9,259,495	8,477,358	8,909,672
Ordinary Shares		6,519,961	6,519,961	6,519,961	5,998,365	5,998,365
Capital Surplus		1,669,905	1,598,807	1,523,313	1,522,573	1,342,623
Retained Earnings	Before Distribution	2,324,141	1,759,933	2,825,412	2,822,455	2,972,141
	After Distribution	2,258,942	1,759,933	2,629,813	2,822,455	2,837,424
Other Equity Interest		(1,314,520)	(1,405,287)	(1,606,191)	(1,866,035)	(1,403,457)
Treasury Stock		—	—	—	—	—
Non-controlling Interests		—	—	—	—	—
Total Equity	Before Distribution	9,199,487	8,473,414	9,259,495	8,477,358	8,909,672
	After Distribution	9,069,088	8,473,414	9,063,896	8,297,407	8,774,955

Note 1: The Individual financial data in the most recent five years has been audited by CPAs.

Note 2: 2022 earnings distribution proposal has been approved by the Board of Directors.

(II) Condensed Parent Company Only Income Statement—Based on IFRS

Unit: NT\$ Thousand

Item \ Year	Financial Information for Most Recent Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	1,726,707	1,701,547	1,508,054	1,392,575	7,240,829
Gross Profit	1,077,499	902,899	868,868	871,694	952,336
Operating Profit (Loss)	(263,323)	(427,246)	(628,024)	(332,301)	(86,286)
Non-operating Income and Expenses	380,575	(86,309)	1,942,807	570,833	225,610
Profit (Loss) Before Tax	117,252	(513,555)	1,314,783	238,532	139,324
Net Profit (Loss) from Continuing Operations	106,374	(508,327)	1,239,925	239,197	109,233
Loss from Discontinued Operations	—	—	—	—	—
Net Profit (Loss)	106,374	(508,327)	1,239,925	239,197	109,233
Other Comprehensive Income (Income After Tax)	(92,412)	(77,652)	(199,443)	(304,130)	498,950
Total Comprehensive Income	13,962	(585,979)	1,040,482	(64,933)	608,183
Net Income Attributable to Owners of the Parent	106,374	(508,327)	1,239,925	239,197	109,233
Net Income Attributable to Non-controlling Interests	—	—	—	—	—
Total Comprehensive Income Attributable to Owners of the Parent	13,962	(585,979)	1,040,482	(64,933)	608,183
Total Comprehensive Income Attributable to Non-controlling Interests	—	—	—	—	—
Earnings Per Share	0.16	(0.78)	1.90	0.38	0.18

Note 1: The Individual financial data in the most recent five years has been audited by CPAs.

(III) Consolidated Condensed Balance Sheet—Based on IFRS

Unit: NT\$ Thousand

Item	Year	Financial Information for Most Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		12,329,689	10,161,487	12,551,922	10,109,933	11,103,868
Property, Plant, and Equipment		1,101,557	1,081,754	1,029,671	974,725	978,816
Intangible Assets		622,270	586,308	511,329	472,238	516,922
Other Assets		3,553,307	3,881,461	1,857,308	2,946,968	2,821,935
Total Asset		17,606,823	15,711,010	15,950,230	14,503,864	15,421,541
Current Liabilities	Before Distribution	7,663,344	5,937,479	5,346,116	4,589,921	4,953,414
	After Distribution	7,793,743	5,937,479	5,541,715	4,769,872	5,088,131
Non-current Liabilities		326,547	847,492	863,759	911,607	906,671
Total Liabilities	Before Distribution	7,989,891	6,784,971	6,209,875	5,501,528	5,860,085
	After Distribution	8,120,290	6,784,971	6,405,474	5,681,479	5,994,802
Equity Attributable to Owners of the Parent		9,199,487	8,473,414	9,259,495	8,477,358	8,909,672
Ordinary Shares		6,519,961	6,519,961	6,519,961	5,998,365	5,998,365
Capital Surplus		1,669,905	1,598,807	1,523,313	1,522,573	1,342,623
Retained Earnings	Before Distribution	2,324,141	1,759,933	2,825,412	2,822,455	2,972,141
	After Distribution	2,258,942	1,759,933	2,629,813	2,822,455	2,837,424
Other Equity Interest		(1,314,520)	(1,405,287)	(1,609,191)	(1,866,035)	(1,403,457)
Treasury Stock		—	—	—	—	—
Non-controlling Interest		417,445	452,625	480,860	524,978	651,784
Total Equity	Before Distribution	9,616,932	8,926,039	9,740,355	9,002,336	9,561,456
	After Distribution	9,486,533	8,926,039	9,544,756	8,822,385	9,426,739

Note 1: The Individual financial data in the most recent five years has been audited by CPAs.

Note 2: 2022 earnings distribution proposal has been approved by the Board of Directors.

(IV) Consolidated Condensed Income Statement—Based on IFRS

Unit: NT\$ Thousand

Item \ Year	Financial Information for Most Recent Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	19,383,203	16,996,048	15,179,443	15,524,901	17,077,888
Gross Profit	5,601,988	4,739,532	4,775,295	4,188,757	4,314,830
Operating Profit (Loss)	248,971	(384,756)	80,226	169,868	552,508
Non-operating Income and Expenses	48,426	95,203	1,416,500	224,855	(94,930)
Profit (Loss) Before Tax	297,397	(289,553)	1,496,726	394,723	457,578
Net Profit (Loss) from Continuing Operations	145,453	(441,741)	1,310,560	318,111	260,382
Loss from Discontinued Operations	—	—	—	—	—
Net Profit (Loss)	145,453	(441,741)	1,310,560	318,111	260,382
Other Comprehensive Income (Income After Tax)	(115,769)	(97,830)	(235,153)	(327,143)	495,406
Total Comprehensive Income	29,684	(539,571)	1,075,407	(9,032)	755,788
Net Income Attributable to Owners of the Parent	106,374	(508,327)	1,239,925	239,197	109,233
Net Income Attributable to Non-controlling Interests	39,079	66,586	70,635	78,914	151,149
Total Comprehensive Income Attributable to Owners of the Parent	13,962	(585,979)	1,040,482	(64,933)	608,183
Total Comprehensive Income Attributable to Non-controlling Interests	15,722	46,408	34,925	55,901	147,605
Earnings Per Share	0.16	(0.78)	1.90	0.38	0.18

Note 1: The financial information in the most recent five years has been audited by CPAs.

(V) Information on CPAs and Auditors' Opinion in the Most Recent Five Years

Year	Name of CPA	Audit Opinion
2018	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (emphasis of matter or other matters)
2019	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (emphasis or other matters)
2020	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (emphasis of matter or other matters)
2021	Chiu-Hua Hsieh and Pao-Lien Chou	Unqualified opinion (emphasis of matter or other matters)
2022	Chiu-Hua Hsieh and Pao-Lien Chou	Unqualified opinion (emphasis of matter or other matters)

II. Financial Analysis in the Most Recent Five Years

(I) Comprehensive Analysis of Parent Company Only Financial Information (IFRS):

Item (Note 3)		Financial Analyses for Most Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to Assets Ratio	31.21	29.72	22.51	22.68	33.85
	Ratio of Long-Term Capital to Property, Plant, and Equipment	1,224.55	1,136.15	1,230.69	1,165.26	1,342.54
Solvency (%)	Current Ratio	43.09	36.32	129.59	55.78	103.97
	Quick Ratio	39.01	31.18	121.11	45.62	87.23
	Times Interest Earned	7.24	(42.18)	148.76	42.79	32.11
Operating Performance	Accounts Receivables Turnover (times)	7.60	6.27	5.33	5.65	7.58
	Average Collection Days	48.02	58.21	68.48	64.60	48.15
	Inventory Turnover (times)	6.24	6.20	4.39	4.07	23.84
	Accounts Payables Turnover (times)	3.82	3.60	3.22	3.79	6.80
	Average Days in Sales	58.49	58.87	83.14	89.68	15.31
	Property, Plant, and Equipment Turnover (times)	2.21	2.27	2.01	1.88	10.01
	Total Assets Turnover (times)	0.13	0.13	0.13	0.12	0.59
Profitability Analysis	Return on Total Asset (%)	0.88	(3.92)	10.39	2.13	0.92
	Return on Equity (%)	1.17	(5.75)	13.98	2.70	1.26
	Ratio of Income Before Tax to Paid-in Capital (%)	1.80	(7.88)	20.17	3.98	2.32
	Net Profit Margin (%)	6.16	(29.87)	82.22	17.18	1.51
	Earnings Per Share (NT\$)	0.16	(0.78)	1.90	0.38	0.18
Cash Flow	Cash Flow Ratio (%)	10.82	13.93	Note 2	Note 2	4.92
	Cash Flow Adequacy Ratio (%)	44.68	90.47	53.58	24.13	11.95
	Cash Reinvestment Ratio (%)	3.48	2.43	Note 2	Note 2	Note 2
Leverage	Operating Leverage	0.56	0.72	0.83	0.69	(1.87)
	Financial Leverage	0.95	0.97	0.99	0.98	0.95

Analysis of Financial Ratio Difference in the Most Recent Two Years

- Increase in Debt to Assets Ratio, Current Ratio, and Quick Ratio: It was due to the change in the transaction pattern of the consolidated company from 2022. D-Link Corporation purchased inventory from suppliers and resold it to other subsidiaries for distribution, which required more working capital, resulting in a significant increase in cash, accounts receivable, inventory, accounts payable and loans from subsidiaries.
- Decrease in Times Interest Earned: Mainly due to decrease in earnings before interest and tax in 2022.

3. Increase in Accounts Receivables Turnover, Property, Plant, and Equipment Turnover, and Total Asset Turnover, and decrease in Average Collection Days: It was due to the change in the transaction pattern of the consolidated company from 2022. D-Link Corporation purchased inventory from suppliers and resold it to other subsidiaries for distribution, resulting in a significant increase in operating revenue and accounts receivable.
4. Increase in Inventory Turnover, Account Payables Turnover and decrease in Average Days in Sales: It was due to the change in the transaction pattern of the consolidated company from 2022. D-Link Corporation purchased inventory from suppliers and resold it to other subsidiaries for distribution, resulting in a significant increase in operating costs, inventory and accounts payable.
5. Decrease in Return on Total Asset, Return on Equity, Ratio of Income Before Tax to Paid-in Capital and Earnings Per Share: Mainly due to the decrease in net income before and after tax in 2022.
6. Decrease in Net Profit Margin: It was due to the change in the transaction pattern of the consolidated company from 2022. D-Link Corporation purchased inventory from suppliers and resold it to other subsidiaries for distribution, resulting in a significant increase in operating revenue and a decrease in net income after tax in 2022.
7. Increase in Cash Flow Ratio: Mainly due to the net cash inflow from operating activities in 2022.
8. Decrease in Cash Flow Adequacy Ratio: It was due to the change in the transaction pattern of the consolidated company from 2022. D-Link Corporation purchased inventory from suppliers, resulting in a significant increase in inventory and an increase in cash dividends for the last five years.
9. Decrease in Operating leverage ratio: It was due to the change in the transaction pattern of the consolidated company from 2022. D-Link Corporation purchased inventory from suppliers and resold it to other subsidiaries for distribution, resulting in an increase in fixed operating costs and a net operating loss for the period.

Note 1: The individual financial information for the most recent five fiscal years has been audited and attested by CPAs using IFRS.

Note 2: The cash reinvestment ratio is negative, and therefore a cash flow analysis is not applicable.

Note 3: The following calculation formulas shall be listed at the end of this Table in the Annual Report.

(II) Comprehensive Analysis of Consolidated Financial Information (IFRS):

Item (Note 3)		Year	Financial Analyses for the Past Five Fiscal Years				
			(Note 1)				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt to Assets Ratio	45.38	43.19	38.93	37.93	38.00	
	Ratio of Long-term Capital to Property, Plant, and Equipment	873.03	825.14	945.97	923.58	976.84	
Solvency (%)	Current Ratio	160.89	171.14	234.79	220.26	224.17	
	Quick Ratio	117.27	120.09	185.03	141.21	138.10	
	Times Interest Earned	13.33	(6.16)	53.92	16.24	27.03	
Operating Performance	Accounts Receivables Turnover (times)	4.15	4.09	4.37	4.65	4.86	
	Average Collection Days	87.95	89.24	83.52	78.49	75.10	
	Inventory Turnover (times)	3.31	3.13	3.13	3.25	2.90	
	Accounts Payables Turnover (times)	4.01	3.81	3.68	4.22	4.59	
	Average Days in Sales	110.27	116.61	116.61	112.30	125.86	
	Property, Plant, and Equipment Turnover (times)	16.75	15.57	14.38	15.49	17.48	
	Total Assets Turnover (times)	1.11	1.02	0.96	1.02	1.14	
Profitability Analysis	Return on Total Asset (%)	0.90	(2.28)	8.44	2.23	1.83	
	Return on Equity (%)	1.12	(5.48)	13.29	2.55	1.18	
	Ratio of Income Before Tax to Paid-in Capital (%)	4.56	(4.44)	22.96	6.58	7.63	
	Net Profit Margin (%)	0.55	(2.99)	8.17	1.54	0.64	
	Earnings Per Share (NT\$)	0.16	(0.78)	1.90	0.38	0.18	
Cash flow	Cash Flow Ratio (%)	12.77	0.78	17.62	(36.41)	3.90	
	Cash Flow Adequacy Ratio (%)	53.93	193.65	251.89	15.61	17.28	
	Cash Reinvestment Ratio (%)	8.88	Note 2	8.28	Note 2	Note 2	
Leverage	Operating Leverage	2.45	0.03	5.18	2.77	1.50	
	Financial Leverage	1.11	0.90	1.54	1.18	1.03	

Analysis of Financial Ratio Difference in the Most Recent Two Years

- Increase in Times Interest Earned: Mainly due to the increase in net earnings before interest and tax and a decrease in interest expenses.
- Decrease in Return on Equity, Net Profit Margin, Earning Per Share: Mainly due to the decrease in net income after tax attributable to the owners of the parent company in 2022.
- Increase in Cash Flow Ratio: Mainly due to the increase in net cash inflow from operating activities in 2022.
- Decrease in Operating Leverage: Mainly due to the decrease in fixed costs in 2022.

Note 1: The financial information for the most recent five fiscal years has been audited and attested by CPAs using IFRS.

Note 2: The cash reinvestment ratio is negative, and therefore a cash flow analysis is not applicable.

Note 3: The following calculation formulas shall be listed at the end of this Table in the Annual Report:

- Financial structure

- (1) Debt to Assets Ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to property, plant, and equipment = (Shareholders' equity + Noncurrent liabilities)/Net property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Inventories - Prepaid Expenses)/Current liabilities.
 - (3) Times Interest Earned = Earning before interest and tax expenses/Interest expenses.
3. Operating Performance
 - (1) Accounts receivable turnover (times) (including accounts receivable and notes receivable from business operations) = Net sales/Average account receivable (including accounts receivable and notes receivable from business operations).
 - (2) Average collection days = 365/Accounts receivables turnover.
 - (3) Inventory turnover = Cost of Goods Sales/Average inventory.
 - (4) Accounts Payable turnover (times) (including accounts payable and notes payable from business operations) = Cost of Goods Sales/Average accounts payable (including accounts payable and notes payable from business operations).
 - (5) Average days in sales= 365/Inventory turnover.
 - (6) Property, plant, and equipment turnover = Net sales/Average net property, plant, and equipment.
 - (7) Total assets turnover = Net sales/Average total assets.
4. Profitability Analysis
 - (1) Return on total assets = [Net income + Interest expenses x (1 – effective tax rates)]/Average total assets.
 - (2) Return on equity = Net income (loss) after tax/Average total equity.
 - (3) Net profit margin = Net income (loss) after tax/Net sales.
 - (4) Earnings per share = Net income (loss) attributable to owners of the parent/Weighted average number of shares outstanding. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = Net cash flows from business activities/Current liabilities.
 - (2) Net cash flow adequacy ratio = Five-year sum of net cash flow for business activities /Five-year sum of(Capital expenses + Additional inventory sum + Cash dividend).
 - (3) Cash reinvestment ratio = (cash from business activities - Cash dividend)/(Gross property, plant, and equipment + Long-term investments + Other non-current assets + Working capital). (Note 5)
6. Leverage
 - (1) Operating leverage ratio= (Net operating revenue - variable operating costs and expenses)/operating income (Note 6).
 - (2) Financial leverage = Operating profit/(Operating profit - Interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: In the case of a company whose shares have no par value or a par value other than NT\$10, any calculations that involve paid-in capital ratio shall be replaced with the equity ratio belonging to the owner of the parent company, as shown in the balance sheet.

III. Audit Committee's Report on the 2022 Financial Statements

D-Link Corporation Audit Committee's Review Report

The 2022 parent company only financial statements and consolidated financial statements, which were agreed upon the Audit Committee and resolved by the board, were audited by the CPAs Chou, Pao-Lien and Hsieh, Chiu-Hua of KPMG, and a review report was issued.

In addition, the Board of Directors has prepared the Company's 2022 Business Report, and the proposal for earnings appropriation. These have been reviewed and determined by the Audit Committee in accordance with Article 14-4 of the "Securities and Exchange Act" and Article 219 of the "Company Act", I hereby submit this Report.

Best regards

2023 Annual General Shareholders' meeting, D-Link Corporation

Convener of the Auditing Committee: Chen, Chin-Ming

February 22, 2023

- IV. Financial Statements for the Most Recent Year:** Please refer to pages 187 to 275 of this Annual Report.
- V. Individual Financial Statements Audited and Attested by CPAs for the Most Recent Year:** Please refer to pages 276 to 378 of this Annual Report.
- VI. The Company and its Affiliated Companies Encountered any Financial Difficulties that Affect the Company's Financial Status in the Most Recent Year as of the Publication Date of this Annual Report:** None.

Chapter 7 Review of Financial Conditions, Financial Performance, and Risk Management

I. Analysis of Financial Status

Unit: NT\$ Thousand

Item \ Year	2021	2022	Difference	
			Amount	Percentage (%)
Current Assets	10,109,933	11,103,868	993,935	10
Property, Plant, and Equipment	974,725	978,816	4,091	—
Intangible Assets	472,238	516,922	44,684	9
Other Assets	2,946,968	2,821,935	(125,033)	(4)
Total Assets	14,503,864	15,421,541	917,677	6
Current Liabilities	4,589,921	4,953,414	363,493	8
Non-current Liabilities	911,607	906,671	(4,936)	(1)
Total Liabilities	5,501,528	5,860,085	358,557	7
Share Capital	5,998,365	5,998,365	—	—
Capital Surplus	1,522,573	1,342,623	(179,950)	(12)
Retained Earnings	2,822,455	2,972,141	149,686	5
Other Items of Shareholders' Equity	(1,341,057)	(751,673)	589,384	(44)
Total Equity	9,002,336	9,561,456	559,120	6

Remarks: Only the consolidated operating figures of the Company are demonstrated.
 Analysis of changes in increase/decrease ratio exceeding 20%: The increase in equity for this period compared with 2021 was mainly due to the increase in the other equity of exchange differences on translation of foreign financial statements.

II. Financial Performance

(I) Analysis of Financial Performance

Unit: NT\$ Thousand

Item \ Year	2021	2022	Increase/Decrease	Percentage (%)
Operating Costs	<u>11,336,144</u>	<u>12,763,058</u>	<u>1,426,914</u>	13
Gross Profit	4,188,757	4,314,830	126,073	3
Operating Expenses	<u>4,018,889</u>	<u>3,762,322</u>	<u>(256,567)</u>	(6)
Net Operating Income	169,868	552,508	382,640	225
Non-operating Income and Expenses	<u>224,855</u>	<u>(94,930)</u>	<u>(319,785)</u>	(142)
Net Profit Before Tax from Continuing Operations	394,723	457,578	62,855	16
Less: Income Tax Expenses	<u>76,612</u>	<u>197,196</u>	<u>120,584</u>	157
Net Profit	<u>318,111</u>	<u>260,382</u>	<u>(57,729)</u>	(18)

Remarks: Only the consolidated operating figures of the Company are demonstrated.
 Analysis of changes in increase/decrease ratio exceeding 20%:

1. The increase in net operating income for the period was mainly due to the increase in revenue and decrease in operating expenses for the period ◦
2. The increase in non-operating income and expense was mainly due to the increase in foreign exchange loss and the decrease in gain or loss of affiliates recognized under the equity method in 2022.
3. The increase in income tax expense was mainly due to the increase in income tax expense as a result of the increase in profitability of the subsidiaries and the recognition of deferred income tax expense.
4. The remaining items are exempted from analysis as the change ratio is within 20%.

(II) Expected Sales Volume and its Basis, Potential Impact on the Company's Future Financial Operations, and Response Plans Thereof:

The competition in the networking market is fierce. Not only are there new brands entering the market, but ODMs participating directly in the networking project biddings. However, the Chinese manufacturers who are competing for market share at low prices continue to emerge, squeezing the gross profit of the networking companies. The Company will continue to optimize its supply chain, reform its organization, and carry out stringent inventory management to reduce costs and expenses, as well as replace single product competition with solutions so as to increase sustainable revenue and stabilize profitability. Moreover, in response to the rising awareness of safety, social responsibility and environmental protection in various countries, the Company is well prepared for "local manufacturing". The Company has established the ESG Committee. In addition to recording profits in its core businesses, the Company also aims to create a sustainable operating environment in the three aspects: environment, society, and corporate governance. In terms of the overall business environment, With the easing of the pandemic, continuous inflation, monetary tightening and geopolitical tensions, the retail market will definitely be significantly affected. Moreover, the sharp drop in demand will result in an acute rise in inventory levels of customers. Furthermore, the exchange rate fluctuations due to interest rate hikes will also affect the stability of profitability during the year. Therefore, in addition to planning, developing and promoting various solutions as usual, the main focus of this year is to work closely with our subsidiaries, pay attention to local situations, understand local needs and inventories, keep an eye on central bank policies of each country, and seek expert advice to implement exchange rate risk management. The following explains the annual sales focus of the three major product lines.

1. Commercial Product Line

(1) Switch Products

The switch retail market is expected to continue to decline or remain flat this year due to inflation and currency tightening; however, demand of enterprises and telecom markets is expected to remain flat and rise slowly due to traffic growth. This year, in addition to the continued promotion of enterprise cloud solutions, the various replacement solutions in response to last year's chip shortage are gradually ready to be launched, which will be conducive to securing the market share of 1Gbps class switches. In addition, a series of new 10G/25G/100G switches will be launched and supplemented by a more complete network management system (D-View 8) to increase the market share of high-end switches.

(2) Wireless Access Point and VPN Gateway Products

In the new year, we will continue to focus on in-wall AP, based on successful cases in Japan, and expand to other parts of the world, targeting the Internet needs of apartments, hotels, and apartment complexes. In addition, with Wi-Fi 6 VPN Gateway and intelligent

management platform, we aim to assist SMEs in building a smoother, more convenient, stable, and secure remote office environment.

2. Home Product Line

(1) Home Wireless Routers

In recent years, the pandemic has led to changes in living habits. In particular, with the prevalence of distant learning, work from home, online shopping and delivery platforms, the demand for wireless routers and extenders at home has increased against the trend due to the impact of the pandemic. Although the sales in the networking retail market were limited due to inflation and purchase of essential goods in the second half of 2022, looking ahead to 2023, the new technologies (Wi-Fi 6E, Wi-Fi 7) will also bring another wave of replacement as they mature. The Company will launch an upgraded AQUILA PRO AI series of EAGLE PRO AI in the first half of 2023, and introduce the Matter technology, coupled with a series of IoT devices, to build a smart home solution that provides services in a hope to increase sustainable revenue and stabilize profitability.

(2) IP Camera and IoT

Among all AIoT devices, digital camera is the only device that can receive images and can be considered as the hub of smart home network. According to market research, the annual compound growth rate of demand for camera surveillance equipment from 2021 to 2020 was approximately 8%. However, the price has been falling due to intense competition, resulting in a decline in the Company's market share. This year, the Company will continue to work closely with its ODM partners, to strengthen AI integration in products and expand the application of affordable cloud added-value services based on high-level network security standards. The Company is expecting an increase in brand awareness in the competition and proportion of service fee income by a series of Matter-based smart networking devices in the future.

3. Telecom Product Line

(1) Broadband Network Products

Although the demand for copper wire is gradually being replaced by optical fiber, there is still some demand in developing countries. The Company continues to invest some resources to serve the existing customers in order to secure the market share and customers. There is insufficient bandwidth in the previous fiber optic network of GPON (2.5Gbps). The major network companies are making every effort to gain a foothold in the 10G PON market. With the maturity of the technology, 10G PON is expected to gradually replace GPON in the next few years, the mainstream specifications of which include XG-PON, XGS-PON and NG-PON2. The market share of XGS-PON (10Gbps for both uploading and downloading) is expected to increase rapidly in recent years in response to the emergence of KOLs and the huge traffic demand of Tik Tok for uploading videos. Following the ongoing telecom project in 2022, XGS-PON products will be expanded in 2023 together with a series of Mesh Router to provide users with better home networking experience.

(2) Mobile Broadband Products

Compared to traditional wired broadband, which requires a great amount of manpower and time of deployment, the mobile broadband has the advantages of shorter deployment time and lower deployment costs; however, it is still limited by the base station coverage and backhaul network bandwidth. With the gradual increase of 5G coverage, 5G FWA (Fixed Wireless Access) will definitely become a powerful tool for Internet service providers to expand their customer base. The Company has been investing in projects and launching 5G NR indoor routers and 5G mobile routers to gain market share and assist telecom customers in increasing broadband coverage in a shorter period of time. Likewise, the Mesh, which can be integrated with various mesh routers under development to meet the needs of customers

at all levels, is also one of the key development and promotion focus of the year. With the M2M solution under planning, we expect to embrace a wave of sales growth and lay a solid foundation for new industrial applications and services to increase sustainable revenue.

III. Analysis of Cash Flow

(I) Change in Cash Flow in the Most Recent Fiscal Year

Unit: NT\$ Thousand

Cash at Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflows (Outflows) from Investment, Financing Activities and Exchange Rate Changes (3)	Cash Surplus (Inadequacy) (1) + (2) + (3)	Remedial Measures for Cash Inadequacy	
				Investment plan	Financing plan
2,195,080	193,180	324,825	2,713,085	-	-

Analysis of Change in the Cash Flow during the Year:

- (1) Operating Activities: The net cash inflow from operating activities was mainly due to operating profit, and depreciation and amortization.
- (2) Investment Activities: Net cash inflow was mainly due to the repayment of the liquidation of subsidiaries, net of the purchase of equipment and intangible assets.
- (3) Financing Activities: Net cash outflow from financing activities was mainly due to cash dividends and repayment of lease principal.
- (4) Effect of Exchange Rate: Cash inflow was mainly due to the effect of translation of subsidiaries' financial statements due to the appreciation of the U.S. dollar against the Taiwan dollar.

(II) **Improvement Plan for Insufficient Liquidity:** The Company does not suffer from insufficient liquidity.

(III) **Cash Liquidity Analysis for the Coming Year (2023):** The Company maintains a stable cash flow and manages cash expenditures based on cash on hand and cash flow from operating and investing activities. The Company also evaluates financial market conditions and prudently plans financing activities to ensure sufficient capital.

IV. Major Capital Expenditure for the Most Recent Fiscal Year and its Impact on the Company's Finances and Operations: None.

V. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plan, and Investment Plans for the Coming Year

- (I) The Company's 2022 parent company only financial statement recognizes the gain on investment of NT\$199,951 thousand (a gain of NT\$7,177 thousand on a consolidated basis). The Company's profit was mainly attributable to the continuous upgrading of network equipment, the alleviation of shortage of parts and components. Encouraged by the various broadband network policies of governments in Europe, the U.S., South Asia and Southeast Asia, countries around the world are actively promoting the construction of network infrastructure, which drives the increase in demand for network equipment, resulting in profitability for the Company.
- (II) In the future, the Company will continue to perform post-investment management and prudently evaluate our investment plan in alignment with our business development and operational needs, to reinforce our competitiveness in this industry.

VI. Risk Management and Assessment for the Most Recent Year as of the Publication

Date of this Annual Report

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Unit: NT\$ Thousand

Item	2021	2022
Net Interest Income or Expense	22,617	16,013
Net Foreign Exchange Gain and Loss (Note 1)	(53,809)	(155,992)

Note 1: Including the profit and loss on financial assets and liabilities but not the profit and loss on exchangeable corporate bonds.

Countermeasures:

1. With respect to interest rates, the Company's consolidated net interest income and expenses in 2022 was NT\$16,013 thousand. The Company's operations are mainly denominated in U.S. dollars and New Taiwan dollars. The interest income and expenses were mainly affected by the cash position and interest rates in the U.S. and Taiwan markets. The Company will maintain regular evaluation of interest rates on deposits and borrowings to reduce the risk of interest rate fluctuations.
2. As for the exchange rate, the Company's consolidated exchange loss amounted to NT\$155,992 thousand in 2022. The loss increased due to the appreciation of the U.S. dollar and the larger fluctuations of exchange rates in some emerging markets. The Company tracks the changes in foreign exchange exposure in a timely manner, establishes a stringent control process, and uses derivative instruments to carry out stable hedging operations. Moreover, the Company also seeks the lowest transaction costs from banks for foreign exchanges or derivative commitments to reduce exchange losses. We regularly analyze the Group's exposure and the reasonableness of the exchange gain or loss after hedging, and track market information and research reports to formulate the most appropriate hedging strategy with reference to the volatility of the exchange rate market, and dynamically adjust the hedging ratio to reduce the exchange risk.
3. Inflation in recent years has not caused a significant impact on the Company's profit or loss. The Company will also continue to monitor the general economic changes and changes in market conditions to prevent inflation from affecting the Company's profit or loss.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company is not engaged in high-risk and high-leveraged investments, and based on the principle of effective use of the Group's resources, there are funds lent to subsidiaries and endorsements and guarantees provided to subsidiaries, which are all conducted in accordance with the Company's Procedures for Loaning of Funds to Others, Procedures for Making Endorsements/Guarantees, and relevant laws and regulations. Derivatives trading is aimed at hedging foreign exchange risks and reducing exchange rate fluctuations, and is handled in accordance with the relevant regulations of the Company's "Handling Procedures for Engaging in Acquisition or Disposal of Assets and the Procedures for Derivatives Trading". The implementation and the profit and loss situation are reported to the Board of Directors on a regular basis. All information on aforementioned derivatives trading is disclosed on MOPS on a monthly basis as required for investors' reference.

(III) Future Research & Development Projects and Corresponding Budget:

The Company's R&D expenditure in 2023 covers various development projects, including switches, wireless products, and IoT technology, which have been included in the execution project, and extended to solution integration and cloud platform R&D in various fields. The R&D expenditure is estimated to be NT\$600 million.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

(V) Effects of and Response to Changes in Technology (Including Information and Communication Security Risks) and the Industry Relating to Corporate Finance and Sales:

The Company has established comprehensive information security protection measures for network and computers but cannot guarantee that the computer systems that control or maintain important corporate functions, including business operations and accounting, are completely immune to cyberattacks from any third-party. The illegal intrusion of the cyberattacks into the Company's internal network system to carry out activities to sabotage the Company's operations and undermine our goodwill. In the event of a severe cyberattack, the Company's system may lose important data, and our operations may be suspended.

We continue to review and evaluate our information security regulations and procedures and reinforce and update the information security protection system to ensure its appropriateness and effectiveness. However, it cannot guarantee that the Company will not be exposed to new risks and attacks amid the ever-changing information security threats.

Cyberattacks may also attempt to steal the Company's trade secrets and other confidential information, such as customers' or other stakeholders' proprietary information and employees' personal data. Malicious hackers may also try to put viruses, destructive software, or ransomware in the Company's network system to interfere with our operations so as to extort money, gain control over our computer system, or spy on our confidential information. These attacks may result in delays or interruptions in our business orders. With that, we may compensate customers for their losses or bear substantial costs to take remedial and improvement measures to reinforce the Company's cybersecurity systems; or bear significant legal responsibility for relevant legal cases or regulatory investigations due to leakage of data on employees, customers, or third parties to whom the Company has a confidentiality obligation.

To prevent and reduce the damage caused by such attacks, the Company implements relevant improvement measures and continues to update and enhance the anti-virus mechanism to prevent the intrusion of hackers and malicious software; strengthens the network firewall and network control to prevent the spread of viruses across different computers; adopts advanced solutions to detect and deal with malicious software; improves phishing email detection; regularly offers employee education and training and entrusts external experts to conduct information security assessments.

(VI) Impact of Changes of Corporate Images on Risk Management and Response Measures:

The Company values its corporate reputation, actively protects corporate image and engages in community activities. We have defined the relevant risks and formulated communication strategies for internal and external stakeholders to protect corporate image and goodwill. In the past year, there were no risk events affecting the corporate image.

- (VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:** None.
- (VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:** None.
- (IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:** The Company's procurement and sales customers are all renowned global manufacturers. We adopt a non-single-supplier system for procurement to reduce the risk of concentration. Product sales are led by subsidiaries, covering dozens of countries around the world, including Pan-European, Pan-American and Pan-Asia-Pacific. There is no risk of concentration of sales.
- (X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:** None.
- (XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:** None.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any Company Director, Company supervisor, the general manager, the de facto responsible persons, major shareholder holding a stake of greater than 10 percent, and/or Company or Companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the Annual Report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the Annual Report:**
1. UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of D-Link's products infringed its patents. The Company has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
 2. Atlas Global Technologies LLC filed a lawsuit against the Company in April 2022, alleging that some of D-Link's products infringed its patents. The Company has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
- (XIII) Other Material Other Material Risks and Response Measures:**
1. Green Products:
 - (1) Continue considering adverse environmental impacts when developing new products in the product life cycles, and reduce disposable packaging waste generation.
 - (2) For key raw materials, continue using low-energy consumption chips and follow

- related international energy consumption specifications.
2. Extreme Climate Risks:
 - (1) Continue to achieve energy conservation, water conservation, and waste reduction goals to prevent extreme climate risks from the source.
 - (2) Regularly update D-Link's climate-related financial disclosure (TCFD) evaluations.
 3. Human Resources Management: Formulate talent cultivation and development plans.
 4. Human Rights Issue: Formulate and amend human rights policies and management plans in response to future trends.
 5. Work Model Changes Caused by the COVID-19 Pandemic: Review and incorporate working mechanisms promoted in response to the pandemic into future human resource management policies.
 6. Operational Risk:
 - (1) Regularly review and manage the comparison between sales results and inventories through strategic meetings.
 - (2) Formulate response strategies for fluctuating chip prices and unstable supply to ensure delivery and inventory optimization.
 7. Geopolitical Risks:
 - (1) In response to the China-U.S. trade sanctions, the Company has shifted to Group-oriented manufacturing and towards MIT as the primary production direction.
 - (2) Strengthen cooperation with Taiwanese platform manufacturers to avoid political factors affecting the Company's product development and sales.
 - (3) Collect reports or market surveys to understand and respond to market conditions in advance.
 - (4) We continue to pay attention to the risks arising from the Russia-Ukraine war (such as shipment risks, exchange rate changes, etc.).
 8. Intellectual Property Rights:
 - (1) Adopt active assessment, control, and response measures for intellectual property rights disputes and formulate dispute resolution strategies according to the dispute resolution mechanism.
 - (2) Formulate the intellectual property management plan and introduce the Taiwan Intellectual Property System (TIPS).

VII. Other Material Matters: None.

Chapter 8 Special Disclosure

I. Summary of Affiliated Companies

- (I) Organization Structure of Subsidiaries:** Please refer to page 179 of this Annual Report.
- (II) Basic Information of Subsidiaries:** Please refer to pages 180 to 181 of this Annual Report.
- (III) Shareholders in Common of the Company and its Subsidiaries with Deemed Control and Subordination:** None.
- (IV) Directors, Supervisors, and Presidents of Subsidiaries:** Please refer to pages 182 to 184 of this Annual Report.
- (V) Business Operations of the Subsidiaries:** Please refer to pages 185 to 186 of this Annual Report.
- (VI) Consolidated Financial Statements of Subsidiaries:** Please refer to pages 187 to 275.

II. Private Placement of Securities in the Most Recent Year as of the Publication Date of this Annual Report: None.

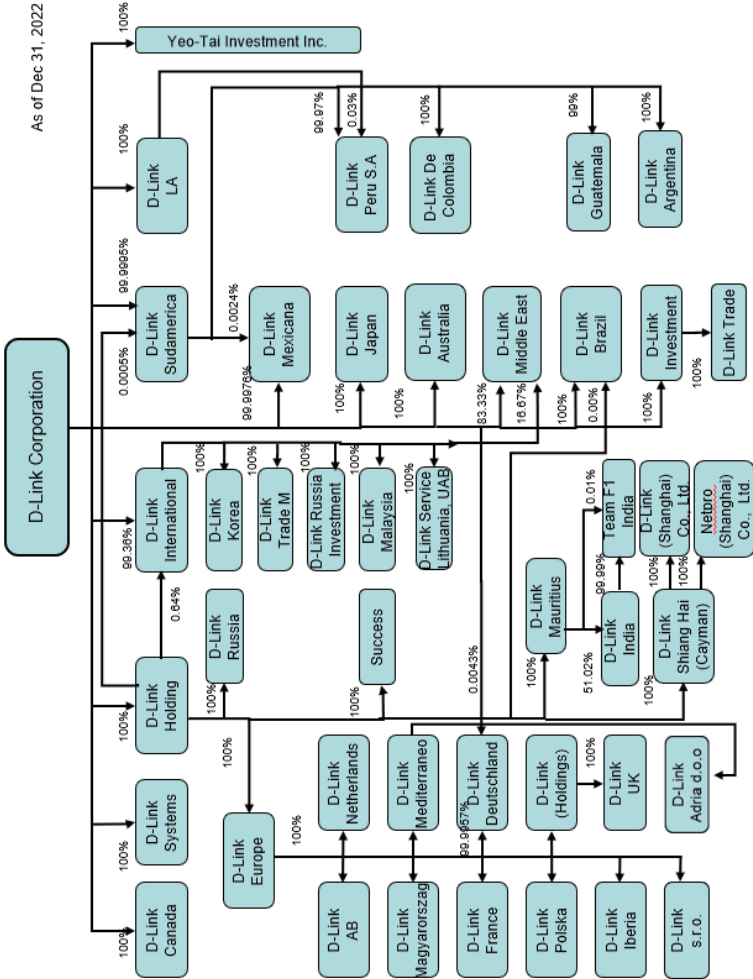
III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year as of the Publication Date of this Annual Report: None.

IV. Other Necessary Remark: None.

V. Any Event Which has Material Impact on the Shareholders' Equity or Securities Prices as Prescribed in Subparagraph 2, Paragraph 3, Article 36 of the "Securities and Exchange Act" that have Occurred in the Most Recent Year as of the Publication Date of this Annual Report: None.

(I) Group Organization Chart

D-Link Group Organization Chart



(II) Basic Information of Subsidiaries

Unit: NT\$ Thousand

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
D-Link Canada Inc.	1990.02.15	3770B Laird Road, Unit 6-9, Mississauga, ON, Canada L5L 0A2,	130,089	Marketing and after-sales service
D-Link Systems, Inc.	1986.01.17	14420 Myford Road suite 100 Irvine, CA 92606, USA	1,566,108	Marketing and after-sales service
D-Link Holding Company Ltd.	1998.06.04	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	2,090,063	Investment
D-Link (Europe) Ltd.	1995.05.30	Artemis Building, Odyssey Business Park, West End Road, South Ruslip, HA4 6QE, London UK	1,463,158	Marketing and after-sales service
D-Link AB	1994.09.14	D-Link AB, BOX 1104, 164 22 Kista, Stockholm, Sweden	7,181	Marketing and after-sales service
D-Link (Magyarország) Kft	2007.06.29	Robert Karoly Korut 59, H-1134 Budapest, Hungary	402	Marketing and after-sales service
D-Link France SARL	1990.06.19	14 Place Georges Pompidou, Montigny-le-Bretonneux 78180, France	3,766	Marketing and after-sales service
D-Link Polska Sp Z.o.o.	2006.02.06	ul. Olkuszka 7, 02-604 Warsaw, Poland	883	Marketing and after-sales service
D-Link Iberia SL	2000.07.07	Calle Muntaner, 239-253, Floor 3 A 08021 Barcelona, Spain	1,573	Marketing and after-sales service
D-Link s.r.o	2010.03.01	Building City Empiria, 15th fl. Na Strzi 1702/65, 140 62 Praha- Praha 4, Czech Republic	252	Marketing and after-sales service
D-Link (Netherlands) BV	2001.03.15	Teeuwishoek 1, 5481 VR, Schijndel,, Netherlands	1,697	Marketing and after-sales service
D-Link Mediterraneo SRL	2000.06.02	Via Negroli 35, 20133 Milano, Italy	1,733	Marketing and after-sales service
D-Link (Deutschland) GmbH	1991.08.14	Schwalbacher Strasse 74 D-65760 Eschborn, Germany	104,887	Marketing and after-sales service
D-Link (Holdings) Ltd.	1995.03.02	Artemis Building, Odyssey Business Park, West End Road, South Ruslip, HA4 6QE, London UK	—	Investment
D-Link (UK) Ltd.	1989.08.01	Artemis Building, Odyssey Business Park, West End Road, South Ruslip, HA4 6QE, London UK	11,494	Marketing and after-sales service
D-Link Adria d.o.o.	2011.03.03	Cvjetno naselje II 8, Zagreb Croatia	305	Marketing and after-sales service
OOO D-Link Russia	2002.07.25	Graphsky per., 14, 129626 Moscow, Russia	4,235	After-sales service
Success Stone Overseas Corp.	2010.01.05	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	301,614	Investment
D-Link Holding Mauritius, Inc.	2000.09.21	10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	325,642	Investment
D-Link (India) Ltd.	2008.05.26	Kalpataru Square, 2nd Floor, Unit no. 24, Kondivita Lane, Off Andheri Kurla Road, Andheri East, Mumbai – 400059, India	26,358	Marketing and after-sales service
Team F1 Networks Private Limited	2012.02.06	The V Ascendas IT Park, Capella Building, Floor 2, Plot No.17, Madhapur, Hyderabad 500081, India	39	R & D
D-Link Shiang-Hai (Cayman) Inc.	2002.04.08	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	618,843	Investment
D-Link (Shanghai) Co., Ltd.	2002.08.13	Room 612, 6F, No. 88, Taigu Road, China (Shanghai) Pilot Free Trade Zone	704,139	Trading of network equipment and wireless communication systems

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
Netpro Trading (Shanghai) Co., Ltd.	2001.11.13	8F, Building 1, No. 641 Tianshan Road, Shiang-Hai	21,550	R & D and trading
D-Link International Pte. Ltd.	1994.08.31	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	1,844,261	Marketing, procurement and after-sales service
D-Link Korea Limited	2011.03.16	(Guro-Dong, E&C Venture Dream Tower 2) RM 1303, 55, Digital-ro 33-gil, Guro-gu, Seoul, 08376 Korea	40,367	Marketing and after-sales service
D-Link Trade M	2013.05.21	MD-2001, Negruzzi C. Blvd., 8, Chisinau, Republic of Moldova	9	Marketing and after-sales service
D-Link Russia Investment Co.Ltd.	2014.01.20	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	614,902	Investment
D-Link Malaysia Sdn Bhd	2015.03.13	Strata office SO-20-8, Menara 1, KL Eco City, Jln. Bangsar, Kg. Hj. Abdullah Hukum 59200, Kuala Lumpur Malaysia	5,583	Marketing and after-sales service
D-Link Service Lithuania, UAB	2017.12.05	Zirmunu 139, LT-09120, Vilnius, Lithuania	3,287	Marketing and after-sales service
D-Link Sudamerica S.A.	1999.01.11	Paseo Ahumada 312, oficina 236, Cd. Santiago Chile	4,277	Marketing and after-sales service
D-Link Mexicana S.A de C.V	2007.11.13	Gabriel Mancera 1041 Col. Del Valle, C.P. 03100 / México, D.F	240,454	Marketing and after-sales service
D-Link Japan K.K.	2005.07.11	2F, SOWA Gotanda Bldg., 2-7-18 Higashigotanda, Shinagawa-ku, Tokyo 141-0022, Japan	22,259	Marketing and after-sales service
D-Link Australia Pty Ltd.	1991.05.29	6-10 Talavera Rd, North Ryde, NSW 2113, Sydney Australia	20,931	Marketing and after-sales service
D-Link Middle East FZCO	2002.07.17	Plot No. S31102, P.O. Box:18224 Jebel Ali Free Zone South, Dubai UAE.	5,047	Marketing and after-sales service
D-Link Brazil LTDA.	2001.09.12	Avenida das Nações Unidas, 18.801 sala 513 - CEP 04757-020 - SÃO PAULO, Brazil	174,491	Marketing and after-sales service
D-Link Investment Pte.Ltd.	2013.12.20	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	67,558	Investment
OOO D-Link Trade	2010.12.29	Shabulina Proezd 16, 390043, Ryazan, Russia	31,434	Marketing and after-sales service
D-Link Latin-America Company Ltd.	2001.04.11	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	307,080	Marketing and after-sales service
D-Link Peru S.A.	2004.06.01	German Schreiber 276 Urb. Santa Ana Of. 240 entre cdra 1 y 2 Canaval y Moreyra Lima – San Isidro, Peru	28	Marketing and after-sales service
D-Link de Colombia S.A.S.	2006.07.07	Carrera 7B No 126-74,, Bogota Colombia	9,216	Marketing and after-sales service
D-Link Guatemala S.A.	2005.12.07	Guatemala C.A.	20	Marketing and after-sales service
D-Link Argentina S.A.	2006.08.02	Buenos Aires - Argentina	493	Marketing and after-sales service
Yeo-Tai Investment Ltd.	1999.12.17	6F., No. 289, Xiniu 3rd Rd., Neihsu Dist., Taipei City	146,000	Investment

(IV) Directors, Supervisors, and Presidents of Subsidiaries

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Canada Inc.	Director	Sara Cheng	0	0.00
D-Link Systems, Inc.	Director	CJ Chang	0	0.00
D-Link Holding Co. Ltd.	Director	Victor Kuo	0	0.00
	Director	Howard Kao	0	0.00
D-Link (Europe) Ltd.	Director	CJ Chang	0	0.00
	Director	Sara Cheng	0	0.00
	Director	Claude Chou	0	0.00
	Company Secretary	Dinesh Kerai	0	0.00
D-Link AB	Director	Claude Chou	0	0.00
	Director	Arnold Dekker	0	0.00
	Director	Thomas Von Baross	0	0.00
D-Link (Magyarország) Kft	Director	Sara Cheng	0	0.00
	Director	Claude Chou	0	0.00
	Director	Thomas Von Baross	0	0.00
D-Link France SARL	Director	Sara Cheng	0	0.00
	Director	Claude Chou	0	0.00
D-Link Polska Sp. Z o.o.	Director	Claude Chou	0	0.00
	Director	Thomas Von Baross	0	0.00
D-Link Iberia SL	Director	Sara Cheng	0	0.00
	Director	Andy Chen	0	0.00
	Director	Claude Chou	0	0.00
D-Link s.r.o.	Director	Sara Cheng	0	0.00
	Director	Claude Chou	0	0.00
	Director	Thomas Von Baross	0	0.00
D-Link (Netherlands) BV	Director	Claude Chou	0	0.00
	Director	Thomas Von Baross	0	0.00
D-Link Mediterraneo SRL	Director	Sara Cheng	0	0.00
	Director	Andy Chen	0	0.00
	Director	Claude Chou	0	0.00
D-Link (Deutschland) GmbH	Director	Sara Cheng	0	0.00
	Director	Claude Chou	0	0.00
	Director	Thomas Von Baross	0	0.00
D-Link (Holdings) Ltd. Co.	Director	Victor Kuo	0	0.00
	Company Secretary	Dinesh Kerai	0	0.00
D-Link (UK) Ltd.	Director	Sara Cheng	0	0.00
	Company Secretary	Dinesh Kerai	0	0.00
OOO D-Link Russia	Director	Vladimir Lipping	0	0.00
Success Stone Overseas Corp.	Director	Sara Cheng	0	0.00
	Director	Alex Chiang	0	0.00

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Holding Mauritius, Inc.	Director	Victor Kuo	0	0.00
	Director	CJ Chang	0	0.00
	Director	Karen Ah Soon	0	0.00
	Director	Nathalie Wong	0	0.00
D-Link (India) Ltd.	Chairperson	Howard Kao	0	0.00
	Director	Mukesh Lulla	2,634,356	7.38
	Independent Director	Rajaram Ajgaonkar	0	0.00
	Independent Director	Satish Godbole	25	0.00
	Independent Director	Madhu Gadodia	0	0.00
	Managing Director & CEO	Tushar Sighat	16,427	0.05
TeamF1 Networks Private Limited	Director	Howard Kao	0	0.00
	Director	Tushar Sighat	0	0.00
	Director	Raj Jadhav	0	0.00
D-Link Shiang-Hai (Cayman) Inc.	Director	Victor Kuo	0	0.00
	Director	Howard Kao	0	0.00
D-Link (Shanghai) Co., Ltd.	Chairperson	CJ Chang	0	0.00
	Director	Sara Cheng	0	0.00
	Director	Howard Kao	0	0.00
	Supervisor	Claire Chou	0	0.00
Netpro Trading (Shanghai) Co., Ltd.	Chairperson	CJ Chang	0	0.00
	Director	Sara Cheng	0	0.00
	Director	Howard Kao	0	0.00
	Supervisor	Claire Chou	0	0.00
D-Link International Pte Ltd.	Director	Victor Kuo	0	0.00
	Director	Sara Cheng	0	0.00
	Director	Jacky Chang	0	0.00
D-Link Korea Ltd.	Chairperson	CJ Chang	0	0.00
	Director	Howard Kao	0	0.00
D-Link Trade M	Administrator	Denis Culicovschi	0	0.00
D-Link Russia Investment Co. Ltd.	Director	Victor Kuo	0	0.00
	Director	Howard Kao	0	0.00
D-Link Malaysia Sdn Bhd	Director	Lim Bee Lian	0	0.00
	Director	Suzairi Bin Abdul Rahman	0	0.00
D-Link Service Lithuania, UAB	President	Ramune Drobaviciene	0	0.00
D-Link Sudamerica S.A.	Director	Andy Chen	0	0.00
D-Link Mexicana S.A de C.V	Director	Sophia Luke	0	0.00
D-Link Japan K.K.	Chairperson	CJ Chang	0	0.00
	Director	Chin-Hsin Liao	0	0.00
	Director	Howard Kao	0	0.00
	Supervisor	Claire Chou	0	0.00
D-Link Australia Pty Ltd.	Director	CJ Chang	0	0.00
	Director	Howard Kao	0	0.00
	Director	Reardon Graeme	0	0.00

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Middle East FZCO	Director	CJ Chang	0	0.00
	Director	Joanne Chen	0	0.00
	Director	Gary Yang	0	0.00
D Link Network	Director	Alex Chiang	0	0.00
	Director	Teddy Liang	0	0.00
D-Link Brazil LTDA.	Legal Representative	José Roberto Arruda Moreira Filho	0	0.00
D-Link Investment Pte. Ltd.	Director	Howard Kao	0	0.00
	Director	Jacky Chang	0	0.00
OOO D-Link Trade	Director & President	Vladimir Lipping	0	0.00
D-Link Latin-America Company Ltd.	Director	Sara Cheng	0	0.00
	Director	Howard Kao	0	0.00
D-Link Peru S.A.	Director	Andy Chen	0	0.00
D-Link de Colombia S.A.S.	Legal Representative	Sophia Luke	0	0.00
D-Link Guatemala S.A.	Director	Andy Chen	0	0.00
D-Link Argentina S.A.	Legal Representative	Ricardo Scherianz	0	0.00
Yeo-Tai Investment Ltd.	Chairperson	Victor Kuo	0	0.00
	Director	CJ Chang	0	0.00

Note: Not institutional representatives of the Company; the disclosed number of shares held is held by individuals, and the remaining Directors, Supervisors and Presidents are designated by the Company or its 100%-owned subsidiaries.

(V) Business Operations of the Subsidiaries

Unit: NT\$ Thousand

English name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	P & L for the current period (after taxes)	EPS (NT\$)
D-Link Canada Inc.	130,089	335,958	176,373	159,585	300,493	(132,430)	(133,045)	(23.19)
D-Link Systems, Inc.	1,566,108	2,231,936	698,137	1,533,799	821,289	23,867	44,144	0.92
D-Link Holding Company Ltd.	2,090,063	1,909,388	27,493	1,881,895	—	(542)	182,310	2.68
D-Link (Europe) Ltd.	1,463,158	1,975,853	927,238	1,048,615	2,928,010	(247,088)	(253,432)	(7.80)
D-Link AB	7,181	25,957	9,563	16,394	41,329	1,609	1,008	65.03
D-Link (Magyarország) Kft	402	7,209	1,619	5,590	8,328	803	59	196.67
D-Link France SARL	3,766	131,422	89,509	41,913	448,448	6,394	2,134	18.63
D-Link Polska Sp. Z o.o.	883	31,591	8,021	23,570	53,338	4,293	1,113	11,130.00
D-Link Iberia SL	1,573	159,920	94,549	65,371	332,698	2,115	4,532	90.64
D-Link s.r.o.	252	6,437	2,063	4,374	8,689	368	412	4,120.00
D-Link (Netherlands) BV	1,697	10,728	2,352	8,376	13,572	658	539	10.78
D-Link Mediterraneo SRL	1,733	196,505	168,152	28,353	541,390	9,487	749	14.98
D-Link (Deutschland) GmbH	104,887	288,426	88,376	200,050	651,594	1,966	10,169	N/A
D-Link (Holdings) Ltd.	—	9,348	—	9,348	—	—	—	—
D-Link (UK) Ltd.	11,494	9,348	—	9,348	—	—	—	—
D-Link Adria d.o.o.	305	1,203	—	1,203	—	(7)	(7)	N/A
OOO D-Link Russia	4,235	5,688	71	5,617	574	94	327	N/A
Success Stone Overseas Corp.	301,614	171,688	736	170,952	—	(16,870)	(484)	(49.26)
D-Link Holding Mauritius, Inc.	325,642	1,040,489	—	1,040,489	—	(503)	154,913	774.57
D-Link (India) Ltd.	26,358	2,170,511	839,796	1,330,715	4,286,462	383,011	308,594	8.69
Team F1 Network Private Ltd.	39	78,737	10,341	68,396	36,532	4,976	6,374	607.05
D-Link Shiang-Hai (Cayman) Inc.	618,843	—	266,983	(266,983)	—	—	281,526	5,630.53
D-Link (Shanghai) Co., Ltd.	704,139	953,699	1,233,020	(279,321)	1,022,379	67,125	280,732	N/A
Netpro Trading (Shanghai) Co., Ltd.	21,550	16,943	2,544	14,399	18,554	935	794	N/A
D-Link International Pte. Ltd.	1,844,261	3,378,420	581,163	2,797,257	2,491,496	87,374	(267,555)	(4.02)
D-Link Korea Ltd.	40,367	65,588	105,332	(39,744)	63,352	(3,158)	(6,351)	(19.19)
D-Link Trade M	9	436	628	(192)	1,169	119	6	N/A
D-Link Russia Investment Co. Ltd.	614,902	767,444	—	767,444	—	(136)	(43,985)	(1.76)
D-Link Malaysia Sdn Bhd	5,583	13,668	5,792	7,876	23,717	1,129	155	—
D-Link Service Lithuania, UAB	3,287	9,752	5,135	4,617	12,967	833	556	556.00
D-Link Sudamerica S.A.	4,277	17,523	9,760	7,763	25,343	547	(2,162)	(10.81)
D-Link Mexicana S.A de C.V	240,454	3,444	—	3,444	—	306	(12,784)	(84.07)
D-Link Japan K.K.	22,259	901,236	283,719	617,517	766,956	23,137	15,302	1,610.70

English name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	P & L for the current period (after taxes)	EPS (NT\$)
D-Link Australia Pty Ltd.	20,931	278,513	113,313	165,200	330,442	13,538	8,931	8.93
D-Link Middle East FZCO	5,047	2,072,071	996,283	1,075,788	3,472,213	149,946	148,303	24,717,166.67
D-Link Brazil LTDA.	174,491	246,195	425,728	(179,533)	126,372	(71,006)	(38,146)	(0.01)
D-Link Investment Pte. Ltd.	67,558	48,170	1,852	46,318	—	(186)	129,066	58.67
OOO D-Link Trade	31,434	1,004,428	956,287	48,141	1,827,477	226,426	129,252	N/A
D-Link Latin-America Company Ltd.	307,080	8,743	639,034	(630,291)	—	—	—	—
D-Link Peru S.A.	28	8,775	323	8,452	6,735	211	(1,380)	(394.29)
D-Link de Colombia S.A.S.	9,216	10,268	5,351	4,917	5,287	849	(139)	(0.10)
D-Link Guatemala S.A.	20	888	326	562	—	—	—	—
D-Link Argentina S.A.	493	85	12	73	—	—	—	—
Yeo-Tai Investment Ltd.	146,000	44,494	60	44,434	—	(85)	(1,916)	(0.13)

Representation Letter

The entities that are required to be included in the consolidated financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: D-LINK CORPORATION

Chairman: Kuo, Chin-Ho

Date: February 22, 2023



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

We have audited the consolidated financial statements of D-LINK CORPORATION and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matters

We did not audit the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2022 and the financial statements of D-Link International Pte. Ltd., a subsidiary of D-Link Corporation as of and for the year ended December 31, 2021. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the reports of other auditors. The financial statements of above subsidiaries reflects the total assets constituting 5% of the consolidated total assets at December 31, 2022 and 2021, and the total revenues constituting 8% and 7% of the consolidated total revenues for the years ended December 31, 2022 and 2021, respectively.



D-LINK CORPORATION has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matters paragraph.

Key Audit Matters

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

1. Valuation of inventories

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

Key Audit Matter Explanation:

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

How the matter was addressed in our audit:

For valuation of inventories, we observed the physical count of inventories at year end to inspect the condition of inventories; reviewed the inventory aging reports; review the net realizable value basis adopted by the Consolidated Company's management to verify whether the allowance for obsolete inventory estimated by the Company is in accordance with the inventory provision policy. We also assessed the appropriateness of the Consolidated Company's relevant disclosure of inventories.

2. Revenue recognition

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

Key Audit Matter Explanation:

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

How the matter was addressed in our audit:

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



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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of D-LINK CORPORATION and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on D-LINK CORPORATION and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause D-LINK CORPORATION and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2023

Notes to Readers

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

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

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

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Common Share)

	2022		2021		
	Amount	%	Amount	%	
4000	Net operating revenues (notes 6(u) and 7)				
	\$ 17,077,888	100	15,524,901	100	
5000	Operating costs (notes 6(e), (q) and 7)				
	<u>12,763,058</u>	<u>75</u>	<u>11,336,144</u>	<u>73</u>	
	Gross profit from operations	25	4,188,757	27	
	Operating expenses: (notes 6(c), (h), (i), (j), (k), (m), (p), (q) and (v))				
6100	Selling expenses	2,308,556	13	2,306,285	15
6200	Administrative expenses	926,216	5	850,067	5
6300	Research and development expenses	530,747	3	873,752	6
6450	Expected credit gain (note 6(c))	<u>(3,197)</u>	<u>-</u>	<u>(11,215)</u>	<u>-</u>
		<u>3,762,322</u>	<u>21</u>	<u>4,018,889</u>	<u>26</u>
	Net operating income	552,508	4	169,868	1
	Non-operating income and expenses:				
7100	Interest income (notes 6(w) and 7)	24,594	-	47,997	-
7010	Other income (notes 6(w) and 7)	6,066	-	3,862	-
7020	Other gains and losses (notes 6(f), (w), (y) and 7)	(115,191)	(1)	4,391	-
7050	Finance costs (notes 6(m) and (w))	(17,576)	-	(25,908)	-
7060	Share of profit of associates accounted for using equity method (note 6(f))	<u>7,177</u>	<u>-</u>	<u>194,513</u>	<u>1</u>
		<u>(94,930)</u>	<u>(1)</u>	<u>224,855</u>	<u>1</u>
	Profit before tax	457,578	3	394,723	2
7950	Less: Income tax expenses (note 6(r))	<u>197,196</u>	<u>1</u>	<u>76,612</u>	<u>-</u>
	Net profit	<u>260,382</u>	<u>2</u>	<u>318,111</u>	<u>2</u>
8300	Other comprehensive (loss) income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss (note 6(s))				
8311	Gains (losses) on remeasurements of defined benefit plans	20,106	-	(1,687)	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(16,112)	-	54,984	-
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(9,376)	-	(14,416)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(5,382)</u>	<u>-</u>	<u>38,881</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(s) and (x))				
8361	Exchange differences on translation of foreign financial statements	587,444	3	(412,625)	(2)
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	10,500	-	871	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(r))	<u>(97,156)</u>	<u>(1)</u>	<u>45,730</u>	<u>-</u>
		<u>500,788</u>	<u>2</u>	<u>(366,024)</u>	<u>(2)</u>
8300	Other comprehensive income (loss), net	495,406	2	(327,143)	(2)
	Total comprehensive income (loss)	\$ 755,788	4	(9,032)	-
	Net profit attributable to:				
8610	Owners of parent	\$ 109,233	1	239,197	2
8620	Non-controlling interests	<u>151,149</u>	<u>1</u>	<u>78,914</u>	<u>-</u>
		<u>\$ 260,382</u>	<u>2</u>	<u>\$ 318,111</u>	<u>2</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 608,183	3	(64,933)	-
8720	Non-controlling interests	<u>147,605</u>	<u>1</u>	<u>55,901</u>	<u>-</u>
		<u>\$ 755,788</u>	<u>4</u>	<u>(9,032)</u>	<u>-</u>
	Basic earnings per share (New Taiwan dollars) (note 6(t))	\$ 0.18		0.38	
	Diluted earnings per share (New Taiwan dollars) (note 6(t))	\$ 0.18		0.38	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent							Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
Balance at January 1, 2021	\$ 6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	9,259,495	480,860	9,740,355
Net profit	-	-	-	-	239,197	-	-	239,197	78,914	318,111
Other comprehensive income (loss)	-	-	-	-	(1,687)	(343,011)	40,568	(304,130)	(23,013)	(327,143)
Total comprehensive income (loss)	-	-	-	-	237,510	(343,011)	40,568	(64,933)	55,901	(9,032)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	56,647	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	207,390	-	-	-	-	-	-
Other changes in equity of associates:	-	(740)	-	-	729	-	-	(11)	-	(11)
Changes in equity of associates accounted for using equity method	(521,596)	-	-	-	-	-	-	(521,596)	-	(521,596)
Capital reduction	-	-	-	-	-	-	-	-	(11,783)	(11,783)
Changes in non-controlling interests	-	-	-	-	445,599	-	45,599	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2021	\$ 5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	8,477,358	524,978	9,002,336
Net profit	-	-	-	-	109,233	-	-	109,233	151,149	260,382
Other comprehensive income (loss)	-	-	-	-	20,106	504,332	(25,488)	498,950	(3,544)	495,406
Total comprehensive income (loss) for the year months ended December 31, 2022	-	-	-	-	129,339	504,332	(25,488)	608,183	147,605	755,788
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	19,264	-	(19,264)	-	-	-	-	-
Special reserve appropriated	-	-	-	280,213	(280,213)	-	-	-	-	-
Other changes in capital surplus:	-	-	-	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(179,950)	-	-	-	-	-	(179,950)	-	(179,950)
Changes in equity of associates accounted for using equity method	-	-	-	-	4,081	-	-	4,081	-	4,081
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(20,799)	(20,799)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	\$ 5,998,365	1,342,623	2,129,290	693,165	149,686	(1,359,264)	(16,266)	8,909,672	651,784	9,561,456

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollar)

	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 457,578	394,723
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	208,202	230,097
Amortization expense	30,813	43,264
Expected credit loss reversal gain	(3,197)	(11,215)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(18,252)	19,335
Interest expense	17,576	25,908
Interest income	(24,594)	(47,997)
Dividend income	(578)	(1,155)
Share of gain of associates accounted for using equity method	(7,177)	(194,513)
Gain on disposal of investments	(10,929)	(6,487)
(Reversal gain) write-down loss of inventories to net realizable value	(75,099)	235,732
Other	80,811	(15,149)
Total adjustments to reconcile profit	<u>197,576</u>	<u>277,820</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	22,658	(55,197)
Increase in notes receivable	(377)	(2,636)
Increase in accounts receivable	(12,021)	(337,013)
Decrease (increase) in accounts receivable due from related parties	5,433	(10,509)
Decrease (increase) in other receivables	41,601	(3,716)
Decrease in lease payment receivable	27,499	16,602
Increase in inventories	(710,107)	(1,111,228)
Decrease (increase) in prepayment for purchase	103,908	(67,649)
(Increase) decrease in other current assets	(85,414)	44,715
Increase in other non-current assets	(40,663)	(41,813)
Total changes in operating assets	<u>(647,483)</u>	<u>(1,568,444)</u>
(Decrease) increase in current contract liabilities	(25,758)	10,838
Increase (decrease) in notes payable	2,045	(219)
Decrease in accounts payable	(138,003)	(39,952)
Increase (decrease) in accounts payable to related parties	448,256	(79,324)
Decrease in other payable	(27,022)	(472,875)
Decrease in current provisions	(14,867)	(30,965)
Increase (decrease) in current refund liabilities	16,815	(98,710)
Increase (decrease) in other current liabilities	10,365	(1,994)
Increase in other non-current liabilities	37,054	15,587
Total changes in operating liabilities	<u>308,885</u>	<u>(697,614)</u>
Total changes in operating assets and liabilities	<u>(338,598)</u>	<u>(2,266,058)</u>
Total adjustments	<u>(141,022)</u>	<u>(1,988,238)</u>
Cash flows from (used in) operations	316,556	(1,593,515)
Interest received	24,221	31,748
Dividends received	578	1,155
Interest paid	(22,261)	(9,931)
Income taxes paid	(125,914)	(100,581)
Net cash flows from (used in) operating activities	<u>193,180</u>	<u>(1,671,124)</u>
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	56,244
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	578	-
Acquisition of investments accounted for using equity method	-	(812,484)
Acquisition of property, plant and equipment	(57,259)	(42,375)
Proceeds from disposal of property, plant and equipment	-	246
(Increase) decrease in refundable deposits	(14,773)	1,189
Increase in other receivables	-	(214,785)
Acquisition of intangible assets	(43,975)	(18,819)
Liquidation refund	212,619	-
Other investing activities	(4,537)	(23,575)
Net cash flows from (used in) investing activities	<u>92,653</u>	<u>(1,054,359)</u>
Cash flows from financing activities:		
(Decrease) increase in guarantee deposits received	(3,830)	12,576
Payment of lease liabilities	(150,693)	(166,739)
Cash dividends paid (including subsidiaries)	(200,749)	(207,380)
Capital reduction payments to shareholders	-	(521,596)
Net cash flows used in financing activities	<u>(355,272)</u>	<u>(883,139)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>587,444</u>	<u>(412,625)</u>
Net increase (decrease) in cash and cash equivalents	<u>518,005</u>	<u>(4,021,247)</u>
Cash and cash equivalents at the beginning of period	<u>2,195,080</u>	<u>6,216,327</u>
Cash and cash equivalents at the end of period	<u>\$ 2,713,085</u>	<u>2,195,080</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

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

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

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

The Consolidated Company assesses that the adoption of the following new amendments to IFRSs, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

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

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

The following new and amended standards, which may be relevant to the Consolidated Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments to IAS1, new amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Consolidated Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Consolidated Company completes its evaluation.

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

(Continued)

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

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

(a) Statement of Compliance

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

(b) Basis of Preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(Continued)

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

The Consolidated Company prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Consolidated Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Consolidated Company will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2022	December 31, 2021	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Investment Pte Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	D-Link Holding transferred 1.56% of its shareholding in D-Link System to the Company in November, 2022.

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2022	December 31, 2021	
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 %	D-Link International transferred 0.1% of its shareholding in D-Link Australia to the Company in December, 2022.
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Russia Investment Co., Ltd. (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	Yeo-Chia Investment Ltd. (Yeochia)	Investment company	- %	- %	Completed liquidation process on July 19, 2022 (note)
The Company	Yeo-Mao Investment Inc. (Yeomao)	Investment company	- %	- %	Completed liquidation process in October 2022 (note)
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research, development, marketing and after-sales service	- %	100.00 %	Cancellation of registration in January, 2022
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2022	December 31, 2021	
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-Hai) Co., Ltd (D-Link Shiang-Hai)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-Hai) Co., Ltd (Netpro Trading)	Research, development and trading	100.00 %	100.00 %	
D-Link Mediterraneo	D-Link Adria d.o.o.	Marketing and after-sales service	100.00 %	100.00 %	In liquidation process
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	In liquidation process
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	In liquidation process

Note : Yeochia and Yeomao went into liquidation process at December 1, 2021. Since December 31, 2021, Yeochia and Yeomao reports were not included in the consolidated financial statement because of losing control over them.

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

(d) Business combination

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

(Continued)

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

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

(e) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

- (i) It is expected to be realized or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

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(iii) It is due to be settled within twelve months after the reporting date; or

(iv) The Consolidated Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing of equity instruments do not affect its classification.

(g) Cash and cash equivalents

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

(h) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

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

6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7) Derecognition of financial assets

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

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

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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Financial liabilities

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

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(iii) Derivative financial instruments and hedge accounting

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

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

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

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

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

Cash flow hedges

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

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

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

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(i) Inventories

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

(j) Investment in associates

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

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

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

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

When the Consolidated Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Consolidated Company's proportionate interest in the net assets of the associate. The Consolidated Company records such a difference as an adjustment to investments, with the corresponding amount charged or capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If it resulted in a decrease in the ownership interest, except for the adjustments mentioned above, the related amount previously recognized in other comprehensive income in relation to the associate will be reclassified to profit or loss 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 property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

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(m) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

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

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(n) Intangible assets

(i) Goodwill and trademark

1) Recognition

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

2) Subsequent measurement

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

1) Computer software: 1~8 years

2) Patents: Amortization is recognized using the term of patent contract. The estimated live is 11~16 years

3) Other intangible asset: 3 years

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

(o) Impairment of non-financial assets

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

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

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

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

(p) Provisions

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

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(q) Revenue from contracts with customers

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

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

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

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

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(iii) Short-term employee benefits

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

(s) Income Taxes

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

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

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

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

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

(Continued)

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

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

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

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

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

(t) Earnings per share

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

(u) Operating segments

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

(Continued)

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

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

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

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

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

(a) Impairment of Accounts receivable

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

(b) Valuation of inventories

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

(c) Judgment on substantial control over the investee

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

(Continued)

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

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 4,173	2,840
Checking and saving accounts	2,530,494	2,087,817
Time deposit	<u>178,418</u>	<u>104,423</u>
Cash and Cash Equivalents	<u>\$ 2,713,085</u>	<u>2,195,080</u>

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

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

(b) Financial Assets and Liabilities

(i) Details as follows

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss - current		
Beneficiary certificates – mutual funds	\$ 267,398	278,623
Cross currency swaps	17,234	73
Forward foreign exchange contracts	<u>198</u>	<u>648</u>
	<u>\$ 284,830</u>	<u>279,344</u>
Financial liabilities at fair value through profit or loss - current		
Cross currency swaps	\$ 1,361	13,722
Forward foreign exchange contracts	<u>13,970</u>	<u>2,646</u>
	<u>\$ 15,331</u>	<u>16,368</u>

(Continued)

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

	December 31, 2022	December 31, 2021
Financial assets at fair value through other comprehensive income - non-current		
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	\$ 4,111	3,882
Kaimei Electronic Corp. (Kaimei)	12,377	29,207
StemCyte International. LTD (Stemcyte)	<u>215</u>	<u>211</u>
	<u>\$ 16,703</u>	<u>33,300</u>

- 1) On February 17, 2021, the Consolidated Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Consolidated Company transferred financial assets from financial assets at fair value through other comprehensive income to investments accounted for using equity method and reclassified financial assets from other equity loss to retained earnings amounting to 54,847 thousand.
- 2) The Consolidated Company sold a total of 2,753,041 shares of Z-Com in 2021, disposed at the price of \$23,251 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$6,921 thousand .
- 3) The Consolidated Company sold 288,000 shares of Kaimei in November 2021, disposed at the price of \$32,788 thousand, and reclassified financial assets from other equity gain to retained earnings amounting to \$16,208 thousand.
- 4) The Consolidated Company sold 18,950 shares of Stemcyte in October 2021, disposed at the price of \$205 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$39 thousand.
- 5) On July 14, 2022, Kaimei reduced its capital by 20% in cash and refund the capital reduction payment amounting to \$578 thousand.
- 6) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(y).
- 7) As of December 31, 2022 and 2021, no financial assets are pledged as collateral.

(Continued)

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

(ii) Sensitivity analysis – equity market price risk:

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

Security price at reporting date	2022		2021	
	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$ <u>470</u>	<u>6,257</u>	<u>970</u>	<u>6,520</u>
Decrease 3%	\$ <u>(470)</u>	<u>(6,257)</u>	<u>(970)</u>	<u>(6,520)</u>

(iii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk arising from the Consolidated Company's operating, financing and investing activities. As of December 31, 2022 and 2021, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

1) Derivative financial assets

	December 31, 2022				December 31, 2021		
	Contract amount (thousand)	Currency	Maturity date		Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:							
USD	\$ 28,200	USD	2023.01-03		-	-	-
EUR	-	-	-		4,000	EUR	2022.01
JPY	1,800,000	JPY	2023.01-02		-	-	-
CNH	127,134	CNH	2023.01		-	-	-
Forward foreign exchange contracts:							
EUR (sell)	1,400	EUR	2023.02		3,000	EUR	2022.01
CAD (sell)	900	CAD	2023.01-02		700	CAD	2022.01
JPY (sell)	-	-	-		448,900	JPY	2022.01-02

(Continued)

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

2) Derivative financial liabilities

	December 31, 2022				December 31, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	
Cross currency swaps:							
USD	\$ -	-	-	1,700	USD	2022.02	
CNH	41,664	CNH	2023.01	133,670	CNH	2022.01	
GBP	-	-	-	1,000	GBP	2022.01	
EUR	3,200	EUR	2023.01~02	22,000	EUR	2022.01~02	
JPY	-	-	-	1,800,000	JPY	2022.01~03	
CAD	500	CAD	2023.01	1,100	CAD	2022.01	
AUD	600	AUD	2023.01	300	AUD	2022.01	
RUB	-	-	-	150,028	RUB	2022.01	
Forward foreign exchange contracts:							
IDR (sell)	21,805,000	IDR	2023.01	-	-	-	
BRL (sell)	26,625	BRL	2023.01	80,445	BRL	2022.01	
INR (sell)	227,782	INR	2023.01	188,766	INR	2022.01	
CAD (sell)	1,000	CAD	2023.02	-	-	-	
EUR (sell)	6,300	EUR	2023.01~02	-	-	-	
AUD (sell)	1,700	AUD	2023.01~03	1,000	AUD	2022.01	
GBP (sell)	-	-	-	500	GBP	2022.01	
KRW (sell)	4,420,970	KRW	2023.01	2,144,020	KRW	2022.01	
JYP (sell)	1,025,060	JPY	2023.01~03	-	-	-	
CNH (buy)	24,301	CNH	2023.01	-	-	-	

(c) Notes and accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Notes receivable for operating activities	\$ 5,660	5,283
Accounts receivable	3,498,986	3,497,623
Account receivable - related parties	5,127	10,502
Other receivables	<u>20,102</u>	<u>274,322</u>
	3,529,875	3,787,730
Less: Loss Provision	<u>(77,291)</u>	<u>(83,158)</u>
	<u>\$ 3,452,584</u>	<u>3,704,572</u>

(Continued)

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

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivable and other receivables. To measure the expected credit losses, notes and accounts receivable and other receivables have been grouped based on shared credit risk characteristics and ability to pay all due, as well as incorporated forward looking information. The loss provision as of 2022 and 2021 was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss provision
Current	\$ 2,782,658	0.38%	10,705
90 days or less past due	668,017	0.43%	2,887
91 to 180 days past due	4,019	17.75%	713
181 to 270 days past due	986	41.45%	409
271 to 360 days past due	213	70.32%	150
More than 360 days past due	<u>73,982</u>	84.38%	<u>62,427</u>
	<u>\$ 3,529,875</u>		<u>77,291</u>
		December 31, 2021	
	Gross carrying amount	Weighted-average loss rate	Loss provision
Current	\$ 3,228,796	0.32%	10,413
90 days or less past due	472,980	0.20%	929
91 to 180 days past due	1,159	15.42%	179
181 to 270 days past due	4,927	66.26%	3,265
271 to 360 days past due	1,191	72.12%	859
More than 360 days past due	<u>78,677</u>	85.81%	<u>67,513</u>
	<u>\$ 3,787,730</u>		<u>83,158</u>

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

	2022	2021
Balance at January 1, 2022 and 2021	\$ 83,158	104,954
Expected credit loss reversed	(3,197)	(11,215)
Amounts written off	(10,600)	(5,717)
Others	<u>7,930</u>	<u>(4,864)</u>
Balance at December 31, 2022 and 2021	<u>\$ 77,291</u>	<u>83,158</u>

(Continued)

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

(d) Finance lease payment receivable

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

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

	December 31, 2022	December 31, 2021
Less than one year	\$ 36,559	30,030
One to two years	38,978	32,966
Two to three years	40,187	35,147
Three to four years	37,944	36,237
Four to five years	<u>-</u>	<u>34,216</u>
Total lease payments receivable	153,668	168,596
Unearned finance income	<u>(9,151)</u>	<u>(12,717)</u>
Total lease payments receivable (Present value of lease payments receivable)	<u>\$ 144,517</u>	<u>155,879</u>

(e) Inventories

	December 31, 2022	December 31, 2021
Finished goods	<u>\$ 4,069,166</u>	<u>3,348,193</u>

The operating cost comprises of cost of goods sold, write-down loss (reversal of write-down loss) of inventories to net realizable value, warranty costs and other loss (gain). For the years ended December 31, 2022 and 2021, the cost of good sold were \$12,583,111 thousand, and \$10,825,721 thousand, respectively. The loss on product warranty, obsolescence and order cancellation amounted to \$255,046 thousand and \$274,691 in 2022 and 2021, respectively. In 2022, the Consolidated Company assessed the net realizable value of inventories in consideration of the market share trend and the life cycle of products, and reversed the write-down loss of inventories to net realizable value to reduce cost of goods sold by \$75,099 thousand. In 2021, the Consolidated Company recognized write-down loss of inventories to net realizable value of \$235,732 thousand, because of the shortage of materials and the increase in logistics time to increase stocking.

As of December 31, 2022 and 2021, no inventories were pledged as collateral.

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2022	December 31, 2021
Associates	<u>\$ 1,420,297</u>	<u>1,407,915</u>

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

(i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Main operating location/ Registered Country of the Company	Ownership interest/Voting rights held	
			December 31, 2022	December 31, 2021
Cameo Communication, Inc. (Cameo)	The major business activities are manufacturing and selling of network system equipment and its components, as well as researching and developing of related technologies. It is the supplier of the Consolidated Company.	Taiwan	41.58 %	41.58 %

1) The financial information on Cameo is summarized as follows:

	December 31, 2022	December 31, 2021
Current assets	\$ 3,871,200	1,693,178
Non-current assets	1,732,411	3,397,654
Current liabilities	1,484,128	875,644
Non-current liabilities	<u>885,525</u>	<u>1,084,837</u>
Net assets	<u>\$ 3,233,958</u>	<u>3,130,351</u>
Net assets attributable to investee's shareholders	<u>\$ 3,233,958</u>	<u>3,130,351</u>
	2022	2021
Operating revenue	<u>\$ 3,379,117</u>	<u>2,479,234</u>
Net income	\$ 94,973	390,654
Other comprehensive income (loss)	<u>8,634</u>	<u>(57,188)</u>
Total comprehensive income	<u>\$ 103,607</u>	<u>333,466</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 103,607</u>	<u>333,466</u>

(Continued)

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

	2022	2021
The Consolidated Company's share in associate's net assets at beginning of year	\$ 1,301,552	-
Comprehensive income attributable to the Consolidated Company	43,061	189,571
Increase of investment	<u>-</u>	<u>1,111,981</u>
The Consolidated Company's share in associate's net assets at end of year	1,344,613	1,301,552
Less: unrealized gains	(30,471)	(9,185)
Add: goodwill	<u>102,489</u>	<u>102,489</u>
Carrying amounts of investments accounted for using equity method	<u>\$ 1,416,631</u>	<u>1,394,856</u>

2) The financial information of insignificant associates

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

	December 31, 2022	December 31, 2021
Carrying amounts of insignificant associates	<u>\$ 3,666</u>	<u>13,059</u>
	2022	2021
Attributable to the Consolidated Company		
(Loss) gain from continuing operations	\$ (11,026)	1,115
Other comprehensive income	<u>1,633</u>	<u>198</u>
Total comprehensive (loss) income	<u>\$ (9,393)</u>	<u>1,313</u>

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

	December 31, 2022	December 31, 2021
Cameo	<u>\$ 1,416,590</u>	<u>1,567,876</u>

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

(Continued)

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

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

(ii) Pledges

As of December 31, 2022 and 2021, no investment accounted for using equity methods has been pledged as collateral.

(g) Subsidiaries have material non-controlling interests

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

Name of subsidiary	Main operating location/ Registered country of the Company	Ownership interests/voting rights held by NCI	
		December 31, 2022	December 31, 2021
D-Link India	India	48.98 %	48.98 %

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

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

	December 31, 2022	December 31, 2021
Current assets	\$ 1,945,176	1,624,500
Non-current assets	585,254	541,480
Current liabilities	818,382	753,636
Non-current liabilities	<u>21,414</u>	<u>15,976</u>
Net assets	<u>\$ 1,690,634</u>	<u>1,396,368</u>
Net assets attributable to non-controlling interests	<u>\$ 651,784</u>	<u>524,978</u>
	2022	2021
Operating revenues	<u>\$ 4,286,462</u>	<u>3,197,447</u>
Net profit	308,594	161,114
Other comprehensive loss	<u>(7,236)</u>	<u>(46,985)</u>
Total comprehensive income	<u>\$ 301,358</u>	<u>114,129</u>
Net income attributable to non-controlling interests	<u>\$ 151,149</u>	<u>78,914</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 147,605</u>	<u>55,901</u>

(Continued)

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

	2022	2021
Cash flows (used in) from operating activities	\$ (1,195)	3,100
Cash flows from (used in) from investing activities	9,496	(61,344)
Cash flows used in financing activities	<u>(39,222)</u>	<u>(24,134)</u>
Net decrease in cash and cash equivalents	\$ <u>(30,921)</u>	<u>(82,378)</u>
Cash dividends paid to non-controlling interests	\$ <u>20,799</u>	<u>11,783</u>

(h) Property, plant and equipment

	2022				Balance at December 31, 2022
	Balance at January 1, 2022	Increase	Decrease	Others	
Cost:					
Land	\$ 544,139	-	-	2,174	546,313
Buildings	864,812	919	-	34,369	900,100
Others	<u>1,223,381</u>	<u>56,340</u>	<u>(167,275)</u>	<u>45,016</u>	<u>1,157,462</u>
	<u>2,632,332</u>	<u>57,259</u>	<u>(167,275)</u>	<u>81,559</u>	<u>2,603,875</u>
Accumulated depreciation:					
Buildings	546,482	16,208	-	12,215	574,905
Others	<u>1,111,125</u>	<u>62,287</u>	<u>(166,653)</u>	<u>43,395</u>	<u>1,050,154</u>
	<u>1,657,607</u>	<u>78,495</u>	<u>(166,653)</u>	<u>55,610</u>	<u>1,625,059</u>
	\$ <u>974,725</u>	<u>(21,236)</u>	<u>(622)</u>	<u>25,949</u>	<u>978,816</u>

	2021				Balance at December 31, 2021
	Balance at January 1, 2021	Increase	Decrease	Others	
Cost:					
Land	\$ 544,586	-	-	(447)	544,139
Buildings	875,425	717	-	(11,330)	864,812
Others	<u>1,360,132</u>	<u>41,658</u>	<u>(145,694)</u>	<u>(32,715)</u>	<u>1,223,381</u>
	<u>2,780,143</u>	<u>42,375</u>	<u>(145,694)</u>	<u>(44,492)</u>	<u>2,632,332</u>
Accumulated depreciation:					
Buildings	534,595	15,644	-	(3,757)	546,482
Others	<u>1,215,877</u>	<u>69,718</u>	<u>(145,025)</u>	<u>(29,445)</u>	<u>1,111,125</u>
	<u>1,750,472</u>	<u>85,362</u>	<u>(145,025)</u>	<u>(33,202)</u>	<u>1,657,607</u>
	\$ <u>1,029,671</u>	<u>(42,987)</u>	<u>(669)</u>	<u>(11,290)</u>	<u>974,725</u>

As of December 31, 2022 and 2021, no property, plant and equipment has been pledged as collateral.

(Continued)

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

(i) Right-of-use assets

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

	Buildings	Office equipment	Transportation equipment	Total
Cost:				
Balance at January 1, 2022	\$ 457,383	8,077	48,109	513,569
Increase	151,568	839	11,844	164,251
Decrease	(168,382)	(337)	(26,367)	(195,086)
Others	<u>24,393</u>	<u>558</u>	<u>1,246</u>	<u>26,197</u>
Balance at December 31, 2022	<u>\$ 464,962</u>	<u>9,137</u>	<u>34,832</u>	<u>508,931</u>
Balance at January 1, 2021	\$ 644,005	8,047	58,254	710,306
Increase	108,011	-	2,257	110,268
Decrease	(233,925)	(394)	-	(234,319)
Others	<u>(60,708)</u>	<u>424</u>	<u>(12,402)</u>	<u>(72,686)</u>
Balance at December 31, 2021	<u>\$ 457,383</u>	<u>8,077</u>	<u>48,109</u>	<u>513,569</u>
Accumulated Depreciation:				
Balance at January 1, 2022	\$ 203,434	2,173	29,787	235,394
Increase	113,267	2,150	13,894	129,311
Decrease	(145,117)	(337)	(24,453)	(169,907)
Others	<u>9,476</u>	<u>218</u>	<u>930</u>	<u>10,624</u>
Balance at December 31, 2022	<u>\$ 181,060</u>	<u>4,204</u>	<u>20,158</u>	<u>205,422</u>
Balance at January 1, 2021	\$ 212,885	3,080	24,183	240,148
Increase	124,855	2,339	17,145	144,339
Decrease	(122,643)	(3,010)	(8,673)	(134,326)
Others	<u>(11,663)</u>	<u>(236)</u>	<u>(2,868)</u>	<u>(14,767)</u>
Balance at December 31, 2021	<u>\$ 203,434</u>	<u>2,173</u>	<u>29,787</u>	<u>235,394</u>
Carrying amount:				
Balance at December 31, 2022	<u>\$ 283,902</u>	<u>4,933</u>	<u>14,674</u>	<u>303,509</u>
Balance at December 31, 2021	<u>\$ 253,949</u>	<u>5,904</u>	<u>18,322</u>	<u>278,175</u>

The Consolidated Company leases offices and warehouses under an operating lease in 2022 and 2021, please refer to note 6(p).

(Continued)

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

(j) Investment property

	2022			
	Balance at January 1, 2022	Increase	Decrease	Balance at December 31, 2022
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>12,320</u>	<u>396</u>	<u>-</u>	<u>12,716</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 38,876</u>	<u>(396)</u>	<u>-</u>	<u>38,480</u>
	2021			
	Balance at January 1, 2021	Increase	Decrease	Balance at December 31, 2021
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>11,924</u>	<u>396</u>	<u>-</u>	<u>12,320</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,272</u>	<u>(396)</u>	<u>-</u>	<u>38,876</u>
		December 31,	December 31,	
		2022	2021	
Book value		<u>\$ 38,480</u>	<u>38,876</u>	
Fair value		<u>\$ 73,181</u>	<u>51,328</u>	

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(w). Besides, direct operating expenses related to investment property were \$292 thousand, and \$296 thousand in 2022 and 2021.

(Continued)

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

As of December 31, 2022 and 2021, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

As of December 31, 2022 and 2021, no investment property has been pledged as collateral.

(k) Intangible assets

	2022					Balance at December 31, 2022
	Balance at January 1, 2022	Increase	Decrease	Amortization	Others	
Goodwill	\$ 287,518	-	-	-	17,573	305,091
Trademark	132,660	-	-	-	14,459	147,119
Patents	15,027	-	-	(2,692)	-	12,335
Computer software costs	19,139	1,072	-	(13,809)	-	6,402
Other intangible assets	<u>17,894</u>	<u>42,903</u>	<u>(711)</u>	<u>(14,312)</u>	<u>201</u>	<u>45,975</u>
	<u>\$ 472,238</u>	<u>43,975</u>	<u>(711)</u>	<u>(30,813)</u>	<u>32,233</u>	<u>516,922</u>

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

(l) Other Payables

	December 31, 2022	December 31, 2021
Salary payable	\$ 231,312	321,201
Other payable-other	<u>644,831</u>	<u>586,649</u>
	<u>\$ 876,143</u>	<u>907,850</u>

(m) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	<u>\$ 144,423</u>	<u>142,551</u>
Non-current	<u>\$ 309,563</u>	<u>297,900</u>

(Continued)

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interests on lease liabilities	\$ <u>14,170</u>	<u>16,777</u>
Expenses relating to short-term leases	\$ <u>53,847</u>	<u>46,917</u>
COVID-19-related rent concessions	\$ <u>(23)</u>	<u>(52)</u>

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

	2022	2021
Total cash outflow for leases	\$ <u>218,710</u>	<u>230,433</u>

(i) Real estate leases

As of December 31, 2022, the Consolidated Company leases buildings for its office space. The leases of office space typically run for one to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

(n) Current provisions

For the years ended December 31, 2022

	Balance at January 1, 2022	Increased	Used	Reversed	Effect of exchange	Balance at December 31, 2022
Warranties	\$ 114,732	7,688	(14,867)	-	(1,246)	106,307
Legal proceedings and royalties	<u>119,067</u>	<u>106,963</u>	<u>-</u>	<u>(34,134)</u>	<u>7,706</u>	<u>199,602</u>
	\$ <u>233,799</u>	<u>114,651</u>	<u>(14,867)</u>	<u>(34,134)</u>	<u>6,460</u>	<u>305,909</u>

For the years ended December 31, 2021

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

(Continued)

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

(o) Refund liabilities

	December 31, 2022	December 31, 2021
Refund liabilities	\$ <u>473,514</u>	<u>456,699</u>

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

(p) Operating leases

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

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

	December 31, 2022	December 31, 2021
Within one year	\$ 3,166	353
One to two years	<u>691</u>	<u>-</u>
Total undiscounted lease payments	\$ <u>3,857</u>	<u>353</u>

(q) Employee benefits

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 70,547	86,814
Fair value of plan assets	<u>(80,571)</u>	<u>(75,551)</u>
Net defined benefit (assets) liabilities	\$ <u>(10,024)</u>	<u>11,263</u>

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

1) Composition of plan assets

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

(Continued)

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$80,571 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2022	2021
Defined benefit obligations at January 1	\$ 86,814	91,577
Current service costs and interests	1,227	1,197
Remeasurement of the net defined benefit liabilities		
— Actuarial losses due to changes in demographic assumption	-	118
— Actuarial gains from changes in the financial assumptions	(5,647)	(5,109)
— Actuarial (gains) and losses from changes in experience adjustments	(8,629)	7,971
Benefits paid	<u>(3,218)</u>	<u>(8,940)</u>
Defined benefit obligations at December 31	<u><u>\$ 70,547</u></u>	<u><u>86,814</u></u>

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2022 and 2021 for the Company were as follows:

	2022	2021
Fair value of plan assets at January 1	\$ 75,551	80,892
Interest income	605	324
Remeasurement of the net plan assets		
— Actuarial return on plan assets (excluding interests)	5,830	1,293
Contributions made	1,803	1,982
Benefits paid	<u>(3,218)</u>	<u>(8,940)</u>
Fair value of plan assets at December 31	<u><u>\$ 80,571</u></u>	<u><u>75,551</u></u>

(Continued)

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

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for 2022 and 2021 for the Company were as follow:

	2022	2021
Current service costs	\$ 532	831
Net interest on the net defined benefit liabilities	<u>90</u>	<u>42</u>
	<u>\$ 622</u>	<u>873</u>
	2022	2021
Operating costs	\$ 9	14
Selling expenses	355	485
Administrative expenses	136	164
Research and development expenses	<u>122</u>	<u>210</u>
	<u>\$ 622</u>	<u>873</u>

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

The Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income as of December 31, 2022 and 2021 were as follows:

	2022	2021
Balance on January 1	\$ 49,017	47,330
Recognized	<u>(20,106)</u>	<u>1,687</u>
Balance on December 31	<u>\$ 28,911</u>	<u>49,017</u>

6) Actuarial assumptions

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

	2022.12.31	2021.12.31
Discount rate	1.400 %	0.800 %
Future salary increases	3.000 %	3.000 %

The Company has a net defined benefit asset as of December 31, 2022 and no provision is expected to be made within one year.

The weighted average duration of defined benefit plans were 13.00 years and 14.00 years in 2022 and 2021, respectively.

(Continued)

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

7) Sensitivity analysis

As of December 31, 2022 and 2021, the impact on present value due to the changes in the actuarial assumptions was as follows:

	Effective of defined benefit obligations	
	Increase	Decrease
December 31, 2022		
Discount rate (0.25% change)	\$ (2,202)	2,289
Future salary increases (0.25% change)	2,071	(2,007)
December 31, 2021		
Discount rate (0.25% change)	(2,955)	3,080
Future salary increases (0.25% change)	2,788	(2,696)

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

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

(ii) Defined contribution plans

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

The amount of the Consolidated Company's pension expenses under defined contribution pension plans in 2022 and 2021 was as follows:

	2022	2021
Operating costs	\$ <u>7,414</u>	<u>5,908</u>
Operating expenses	\$ <u>110,855</u>	<u>125,698</u>

(Continued)

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

(r) Income Taxes

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

	2022	2021
Current income tax expense	\$ 141,227	85,199
Deferred tax expense		
Origination and reversal of temporary differences	<u>55,969</u>	<u>(8,587)</u>
Income tax expenses	<u>\$ 197,196</u>	<u>76,612</u>

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

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 97,156</u>	<u>(45,730)</u>

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

	2022	2021
Profit before income tax	<u>\$ 457,578</u>	<u>394,723</u>
Income tax using the Company's statutory tax rate	91,516	78,945
Effect of tax rate in foreign jurisdiction	(3,088)	(18)
Share of profit (loss) of associates accounted for using equity method	6,356	(22,223)
Tax-exempt income	(2,861)	(41,730)
Change in unrecognized temporary differences	111,254	(12,032)
Income tax adjustments on prior years and others	<u>(5,981)</u>	<u>73,670</u>
	<u>\$ 197,196</u>	<u>76,612</u>

(Continued)

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

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

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

	December 31, 2022	December 31, 2021
Deductible temporary differences		
Unrealized expenses	\$ 66,311	91,619
Provisions for warranty	12,796	12,572
Unrealized impairment	24,318	24,318
Write-down of inventories to net realizable value	26,720	39,998
Others	<u>107,455</u>	<u>60,350</u>
	<u>237,600</u>	<u>228,857</u>
Operating loss carry forward	<u>1,217,104</u>	<u>1,114,593</u>
	<u>\$ 1,454,704</u>	<u>1,343,450</u>

(ii) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

	Intra-group transactions	Exchange differences on translation of foreign financial statements	Unrealized expenses	Write-down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:								
Balance at January 1, 2022	\$ 43,265	323,611	26,166	69,281	391	370,746	36,496	869,956
Recognized in profit or loss	(15,771)	-	(22,071)	(24,449)	(140)	(54,001)	30,746	(85,686)
Exchange differences on translation of foreign financial statements	-	(97,156)	-	-	-	-	-	(97,156)
Balance at December 31, 2022	<u>\$ 27,494</u>	<u>226,455</u>	<u>4,095</u>	<u>44,832</u>	<u>251</u>	<u>316,745</u>	<u>67,242</u>	<u>687,114</u>
Balance at January 1, 2021	\$ 65,518	277,881	20,856	25,945	874	288,955	65,606	745,635
Recognized in profit or loss	(22,253)	-	5,310	43,336	(483)	81,791	(29,110)	78,591
Exchange differences on translation of foreign financial statements	-	45,730	-	-	-	-	-	45,730
Balance at December 31, 2021	<u>\$ 43,265</u>	<u>323,611</u>	<u>26,166</u>	<u>69,281</u>	<u>391</u>	<u>370,746</u>	<u>36,496</u>	<u>869,956</u>

(Continued)

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

	Investments under equity method	Others	Total
Deferred income tax liabilities:			
Balance at January 1, 2022	\$ 296,579	56,258	352,837
Recognized in profit or loss	<u>(53,512)</u>	<u>23,795</u>	<u>(29,717)</u>
Balance at December 31, 2022	<u>\$ 243,067</u>	<u>80,053</u>	<u>323,120</u>
Balance at January 1, 2021	\$ 242,431	40,402	282,833
Recognized in profit or loss	<u>54,148</u>	<u>15,856</u>	<u>70,004</u>
Balance at December 31, 2021	<u>\$ 296,579</u>	<u>56,258</u>	<u>352,837</u>

In accordance with the laws of each registered country, the assessed losses can be used to offset current-year net income. In addition, pursuant to the ROC Income Tax Act, net loss of the Company and Yeotai as assessed by the tax authorities can be carried forward for ten consecutive years to reduce future taxable income. As of December 31, 2022, the Consolidated Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Consolidated entity	Year of loss	Year of expiry	Unused amount
The Company	2017	2027	1,487,026
The Company	2019	2029	162,350
The Company	2020	2030	620,355
The Company	2021	2031	258,641
Yeotai	2014	2024	2,749
Yeotai	2016	2026	1,330
Yeotai	2019	2029	5,947
D-Link Europe	2003, 2015~2016 and 2021~2022	Unlimited	502,939
D-Link Brazil	2014~2019 and 2021~2022	Unlimited	997,752
D-Link Shiang-Hai	2017~2020	2022~2025	383,261
D-Link Mexicana	2014~2015 and 2017~2019	2024~2025 and 2027~2029	121,308
D-Link Systems	2018~2021	2038~2041	454,169
D-Link International	2015~2019	Unlimited	1,391,932
D-Link Korea	2012~2019 and 2021	2022~2029 and 2031	73,044
D-Link Trade	2022	2032	<u>11,504</u>
			<u>\$ 6,474,307</u>

The income tax return of the Company and Yeotai has been examined by the tax authority through 2020.

(Continued)

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

(s) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, 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, 2022 and 2021, all the paid-in capital consisted 599,837 thousand shares, with a par value of \$10 per share, amounting to \$5,998,365 thousand.

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

(ii) Capital surplus

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

	December 31, 2022	December 31, 2021
Common stock in excess of par value	\$ 1,037,080	1,217,030
Treasury share transactions	39,310	39,310
Expiry of share-based payment transactions	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<u>\$ 1,342,623</u>	<u>1,522,573</u>

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

On March 29, 2022, the Company's Board of Directors decided to distribute the cash dividends by using the capital surplus of \$0.3 per share, with the ex-dividend base date and cash payment date set on August 2, 2022 and August 31, 2022, respectively.

(iii) Retained earnings

1) Legal reserve

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

(Continued)

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

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

2) Special reserve

In accordance with Ruling issued by the Financial Supervisory commission, a special reserve equivalent to the net debit balance of other shareholders' equity shall be set aside from the current earnings and the prior unappropriated earnings. The Company shall not distribute the special reserve equivalent to the net debit balance of shareholders' equity from the prior fiscal years set aside from the prior unappropriated earnings. The amount of subsequent reversals pertaining to the net debt balance of other shareholders' equity shall qualify for distribution.

3) Earning distribution

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

The Company's appropriation of earnings for 2021 has no earnings to distribute after earnings being retained as legal reserve and special earnings. The appropriation of earnings for 2021 was approved by the shareholders' meeting on May 27, 2022.

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

4) Dividend policy

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

(Continued)

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

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (1,863,596)	(2,439)
The Consolidated Company	493,832	(16,112)
Associates	10,500	(9,376)
Associates-liquidation	-	(16,266)
Balance at December 31, 2022	<u>\$ (1,359,264)</u>	<u>(44,193)</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	\$ (1,520,585)	(88,606)
The Consolidated Company	(343,882)	54,984
Associates	871	(14,416)
Disposal	-	45,599
Balance at December 31, 2021	<u>\$ (1,863,596)</u>	<u>(2,439)</u>

(v) Non-controlling interests

	2022	2021
Balance at the beginning of the period	\$ 524,978	480,860
Net income attributable to non-controlling interest:		
Net income	151,149	78,914
Exchange differences on translation of foreign financial statements	(3,544)	(23,013)
Cash dividends distributed by subsidiaries	(20,799)	(11,783)
Balance at the end of the period	<u>\$ 651,784</u>	<u>524,978</u>

(t) Earnings per share

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

(i) Basic earnings per share

	2022	2021
Net profit of the parent company for the year	<u>\$ 109,233</u>	<u>239,197</u>

(Continued)

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

	2022	2021
Outstanding ordinary shares	<u>599,837</u>	<u>634,610</u>
Basic earnings per share	<u>\$ 0.18</u>	<u>0.38</u>
 (ii) Diluted earnings per share		
	2022	2021
Net profit of the parent company for the year	<u>\$ 109,233</u>	<u>239,197</u>
Weighted average number of outstanding ordinary shares (basic)	599,837	634,610
Employees' compensation has not been resolved by the Board of Directors	<u>677</u>	<u>1,071</u>
Weighted average number of outstanding ordinary shares (diluted)	<u>600,514</u>	<u>635,681</u>
Diluted earnings per share	<u>\$ 0.18</u>	<u>0.38</u>

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

- (u) Revenue from contracts with customers
- (i) The Consolidated Company's revenue from contracts with customers

Major product / service lines	2022	2021
Network communication products	\$ 16,875,066	15,364,507
Services	<u>202,822</u>	<u>160,394</u>
	<u>\$ 17,077,888</u>	<u>15,524,901</u>
 Primary geographical markets		
	2022	2021
American	\$ 1,332,290	1,599,246
European	4,887,624	5,036,179
Asia and others	<u>10,857,974</u>	<u>8,889,476</u>
	<u>\$ 17,077,888</u>	<u>15,524,901</u>

- (ii) Contract liabilities

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

	December 31, 2022	December 31, 2021
Current contract liabilities (sales)	<u>\$ 109,075</u>	<u>134,833</u>

(Continued)

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

2) The beginning contract liabilities were recognized as income of \$91,923 thousand, and \$70,256 thousand for the year ended December 31, 2022 and 2021, respectively.

(v) Employees' compensation and Directors' remuneration

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

In 2022 and 2021, the Company's estimated its Employees' compensation amounted to \$7,372 thousand and \$12,621 thousand, respectively, and Directors' remuneration amounted to \$737 thousand and \$1,262 thousand, respectively. The estimated amounts mentioned above are calculated based on the profit before tax, excluding the Employees' compensation and Directors' remuneration of each period, multiplied by the percentage of Employees' compensation and Directors' remuneration as specified in the Company's Articles of Association. These remunerations were expensed under operating expenses during 2022 and 2021.

There was no difference between the Company's estimated and the actual distribution amount in 2021. Related information would be available at the Market Observation Post System website.

(w) Other income and losses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ 19,419	31,748
Other interest income	<u>5,175</u>	<u>16,249</u>
Total	<u>\$ 24,594</u>	<u>47,997</u>

(ii) Other income

	2022	2021
Rent income	\$ 5,488	2,707
Dividend income	<u>578</u>	<u>1,155</u>
Total	<u>\$ 6,066</u>	<u>3,862</u>

(Continued)

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

(iii) Other gains and losses

	2022	2021
Gain on disposals of investments	\$ 10,929	6,487
Foreign exchange losses	(174,244)	(34,474)
Valuation gains (losses) from financial assets and liabilities	18,252	(19,335)
Others	<u>29,872</u>	<u>51,713</u>
Total	<u>\$ (115,191)</u>	<u>4,391</u>

(iv) Finance costs

	2022	2021
Interest expense	\$ (3,406)	(9,131)
Lease liability interests	<u>(14,170)</u>	<u>(16,777)</u>
Total	<u>\$ (17,576)</u>	<u>(25,908)</u>

(x) Reclassification adjustments of components of other comprehensive income

Details of the reclassification adjustments of components of other comprehensive income were summarized as follow:

	2022	2021
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ 590,988	(389,612)
Change in exchange from non-controlling interests	<u>(3,544)</u>	<u>(23,013)</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u>\$ 587,444</u>	<u>(412,625)</u>
Share of other comprehensive income of associates accounted for using equity method		
Change in foreign currency exchange from associates	<u>10,500</u>	<u>871</u>
Share of other comprehensive income	<u>\$ 10,500</u>	<u>871</u>

(Continued)

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

(y) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 2,713,085	2,195,080
Financial assets at fair value through profit or loss - current	284,830	279,344
Notes receivable, accounts receivable and other receivables (including related parties)	3,452,584	3,704,572
Finance lease payment receivable (current and non-current)	144,517	155,879
Financial assets at fair value through other comprehensive income - non-current	16,703	33,300
Refundable deposits and other current assets	<u>208,005</u>	<u>214,717</u>
	<u>\$ 6,819,724</u>	<u>6,582,892</u>

2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss - current	\$ 15,331	16,368
Notes payable, accounts payable and other payables (including related parties)	3,812,705	3,532,487
Lease liability (current and non-current)	453,986	440,451
Guarantee deposits received	<u>79,030</u>	<u>82,860</u>
	<u>\$ 4,361,052</u>	<u>4,072,166</u>

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum exposure to credit risk has amounted to \$6,819,724 thousand and \$6,582,892 thousand, respectively.

(Continued)

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

(iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2022							
Non-derivative financial liabilities							
Notes payable	\$ 2,056	2,056	2,056	-	-	-	-
Accounts payable	2,198,737	2,198,737	2,198,737	-	-	-	-
Accounts payable - related parties	735,769	735,769	735,769	-	-	-	-
Other payables	876,143	876,143	876,143	-	-	-	-
Lease liability	453,986	487,056	81,919	77,138	131,905	190,915	5,179
Guarantee deposits received	79,030	79,030	79,030	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 1,361	313,330	313,330	-	-	-	-
Inflow	-	311,564	311,564	-	-	-	-
Forward foreign exchange contracts							
Outflow	13,970	1,005,124	1,005,124	-	-	-	-
Inflow	-	988,556	988,556	-	-	-	-
	<u>\$ 4,361,052</u>	<u>6,997,365</u>	<u>6,592,228</u>	<u>77,138</u>	<u>131,905</u>	<u>190,915</u>	<u>5,179</u>
	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2021							
Non-derivative financial liabilities							
Notes payable	\$ 11	11	11	-	-	-	-
Accounts payable	2,336,740	2,336,740	2,336,740	-	-	-	-
Accounts payable - related parties	287,886	287,886	287,886	-	-	-	-
Other payables	907,850	907,850	907,850	-	-	-	-
Lease liability	440,451	469,512	83,910	70,557	101,921	202,940	10,184
Guarantee deposits received	82,860	82,860	82,860	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 13,722	1,883,133	1,883,133	-	-	-	-
Inflow	-	1,869,634	1,869,634	-	-	-	-
Forward foreign exchange contracts							
Outflow	2,646	558,157	558,157	-	-	-	-
Inflow	-	545,260	545,260	-	-	-	-
	<u>\$ 4,072,166</u>	<u>8,941,043</u>	<u>8,555,441</u>	<u>70,557</u>	<u>101,921</u>	<u>202,940</u>	<u>10,184</u>

(Continued)

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

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

(iv) Currency risk

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

	December 31, 2022			December 31, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets (note):							
Monetary items:							
CLP	\$	51,842	0.03	1,852	94,235	0.04	3,069
JPY		900,870	0.23	211,078	1,051,213	0.24	253,026
CAD		6,125	22.68	138,914	11,342	21.74	246,587
USD		209,971	30.71	6,447,767	173,724	27.69	4,810,424
MXN		-	1.49	-	2,274	1.38	3,059
BRL		10,070	5.89	59,263	41,159	4.96	204,229
AUD		4,749	20.93	99,394	5,750	20.08	115,478
				<u>\$ 6,958,268</u>			<u>5,635,872</u>
Non-monetary items:							
USD	\$	8,849	30.71	<u>271,724</u>	10,210	27.69	<u>282,716</u>
Derivative instruments:							
EUR	\$	-	32.87	13	14	31.36	437
USD		52	30.71	1,585	-	-	-
JPY		55,377	0.23	12,975	1,163	0.24	280
CNH		606	4.41	2,674	-	-	-
CAD		8	22.68	185	-	21.74	4
IDR		-	0.0020	-	-	-	-
				<u>\$ 17,432</u>			<u>721</u>
Financial liabilities (note):							
Monetary items:							
JPY	\$	2,094,822	0.23	490,827	1,949,949	0.24	469,350
CAD		3,470	22.68	78,691	888	21.74	19,316
EUR		-	32.87	-	10,051	31.36	315,254
BRL		21,851	5.89	128,603	21,834	4.96	108,341
USD		149,608	30.71	4,594,173	114,882	27.69	3,181,083
CLP		131,909	0.03	4,713	162,786	0.04	5,301
AUD		2,560	20.93	53,591	1,668	20.08	33,494
MXN		-	1.49	-	111	1.38	150
				<u>\$ 5,350,598</u>			<u>4,132,289</u>

(Continued)

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

	December 31, 2022			December 31, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Derivative instruments:							
EUR	\$	118	32.87	3,885	119	31.36	3,736
GBP	-		37.15	-	16	37.39	607
CAD		3	22.68	68	9	21.74	187
JPY		19,859	0.23	4,653	29,626	0.24	7,131
IDR		10,137	0.0020	19	-	-	-
KRW		117,881	0.03	3,171	3,866	0.03	104
BRL		341	5.89	2,007	264	4.96	1,309
USD	-		30.71	-	46	27.69	1,278
INR		151	0.37	56	-	-	-
CNH		175	4.41	772	331	4.34	1,439
AUD		33	20.93	700	12	20.08	243
RUB	-		0.44	-	896	0.37	334
				<u>\$</u>	<u>15,331</u>		<u>16,368</u>

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.

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency for the years ended December 31, 2022 and 2021 would have increased or decreased the net income after tax by \$22,526 thousand and \$21,654 thousand and increased or decreased the equity by \$65 thousand and \$61 thousand, respectively, assuming all other variables were held constant.

(v) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

Assets and liabilities	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 267,398	267,398	-	-
Financial assets at fair value through other comprehensive income	16,703	12,377	-	4,326

(Continued)

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

December 31, 2022				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Derivatives				
Assets:				
Financial assets at fair value through profit or loss - current	17,432	-	17,432	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	15,331	-	15,331	-
December 31, 2021				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 278,623	278,623	-	-
Financial assets at fair value through other comprehensive income	33,300	29,207	-	4,093
Derivatives				
Assets:				
Financial assets at fair value through profit or loss - current	721	-	721	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	16,368	-	16,368	-

2) Valuation techniques

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

3) Transfer between Level 1 and Level 2

In 2022 and 2021, there were no transfers between level 1 and level 2 of the fair value hierarchy.

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Notes to the Consolidated Financial Statements

4) Reconciliation of level 3 fair values

	Financial assets at fair value through other comprehensive income
Balance at January 1, 2022	\$ 4,093
Recognized in other comprehensive income	<u>233</u>
Balance at December 31, 2022	<u><u>\$ 4,326</u></u>
Balance at January 1, 2021	\$ 3,739
Recognized in other comprehensive income	<u>354</u>
Balance at December 31, 2021	<u><u>\$ 4,093</u></u>

For the years ended December 31, 2022 and 2021, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	2022	2021
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	233	354

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

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

Quantified information of significant unobservable inputs was as follows:

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

(Continued)

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

(vi) Assets and liabilities not measured at fair value

1) Information of fair value

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

	December 31, 2022		December 31, 2021	
	Book value	Fair value	Book value	Fair value
Non-financial assets:				
Investment property	\$ <u>38,480</u>	<u>73,181</u>	<u>38,876</u>	<u>51,328</u>

	Total	December 31, 2022		
		Level 1	Level 2	Level 3
Assets and liabilities				
Non-financial assets:				
Investment property	\$ 73,181	-	-	73,181

	Total	December 31, 2021		
		Level 1	Level 2	Level 3
Assets and liabilities				
Non-financial assets:				
Investment property	\$ 51,328	-	-	51,328

2) Valuation techniques

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

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

(z) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk

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

3) Market risk

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

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the political and economic stability of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Consolidated Company operates worldwide, and thus, risk is diversified. As of December 31, 2022 and 2021, revenue from each customer does not exceed 10% of the Consolidated Company's revenue, therefore, there is no concentration of credit risk.

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

2) Investment in securities and derivative financial instruments

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

3) Guarantees

The Consolidated Company's policies is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2022 and 2021, the Consolidated Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. The Consolidated Company aims to maintain the level of its cash and short-term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Consolidated Company had unused credit facilities for \$3,236,868 thousand as of December 31, 2022.

(Continued)

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

(v) Market risk

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

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

1) Currency risk

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

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 to hedge the net risk position after offsetting assets and liabilities denominated in the same foreign currencies and maintained the hedge ratio at 50% and above. The Consolidated Company uses forward exchange contracts and foreign-exchange options, with a maturity of less than one year from the reporting date, to hedge its currency risks.

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

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

2) Interest rate risk

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

(Continued)

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

3) Other price risks

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

(aa) Capital management

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

Debt-to-equity ratio:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 5,860,085	5,501,528
Less: cash and cash equivalents	<u>(2,713,085)</u>	<u>(2,195,080)</u>
Net debt	<u>\$ 3,147,000</u>	<u>3,306,448</u>
Total equity	<u>\$ 9,561,456</u>	<u>9,002,336</u>
Debt-to-equity ratio	<u>32.91%</u>	<u>36.73%</u>

As of December 31, 2022, the methods of the Consolidated Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 2022 and 2021 were as follows:

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

	Non-cash changes					December 31, 2022
	January 1, 2022	Cash flows	Exchange	Fair value changes	Others	
Lease liabilities	\$ 440,451	(150,693)	-	-	164,228	453,986
Others	<u>82,860</u>	<u>(3,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,030</u>
Total liabilities from financing activities	<u>\$ 523,311</u>	<u>(154,523)</u>	<u>-</u>	<u>-</u>	<u>164,228</u>	<u>533,016</u>

(Continued)

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

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

(7) Related-party transactions:

- (a) Names and relationship with related parties

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

Name of related party	Relationship with the Consolidated Company
Cameo Communication, Inc.	An associate (Due to increasing shareholding in February 2021, the Consolidated Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)
Perfect Choice Co., Ltd.	An associate
T-COM, LLC (T-COM)	An associate
Yeochia Investment Ltd.	An associate (The company was liquidated in July, 2022)
Yeomao Investment Inc.	An associate (The company was liquidated in October, 2022)
Amigo Technology Inc.	Other related party
Amit Wireless Inc.	Other related party
Sapido Technology Inc.	Other related party
E-Sheng Steel Co., Ltd.	Other related party

- (b) Significant related party transactions

- (i) Sales and service revenue

	2022	2021
Associates	\$ 104,996	15,597
Others	<u>4,347</u>	<u>-</u>
	<u>\$ 109,343</u>	<u>15,597</u>

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

(Continued)

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

(ii) Purchases

	2022	2021
Associates:		
Cameo	\$ 1,631,359	1,043,972
Other related parties:		
Amigo	902,254	158,950
Amit	<u>6,700</u>	<u>2,241</u>
	<u>\$ 2,540,313</u>	<u>1,205,163</u>

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

(iii) Receivables from related parties

		December 31, 2022	December 31, 2021
Accounts receivable	Associates — Cameo	\$ -	86
Accounts receivable	Associates — T-COM	3,217	10,101
Accounts receivable	Associates — PC	1,800	-
Accounts receivable	Other related parties — Sapido	10	-
Other receivables	Associates — Cameo	73	-
Other receivables	Associates — Yeochia	-	71,169
Other receivables	Associates — Yeomao	-	143,616
Other receivables	Associates — T-COM	65	-
Other receivables	Other related parties — Amigo	18	21,942
Other receivables	Other related parties — Amit	<u>-</u>	<u>5,573</u>
		<u>\$ 5,183</u>	<u>252,487</u>

The Consolidated Company's other receivables arose from the liquidation of its affiliates, Yeochia and Yeomao. Yeochia and Yeomao were liquidated in July and October, 2022, respectively, resulting in the losses under other equity to be transferred to retained earnings amounting to \$16,266 thousand.

(Continued)

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

(iv) Payables to related parties

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payable	Associates—Cameo	\$ 530,536	176,131
Accounts payable	Other related parties—Amigo	203,678	109,935
Accounts payable	Other related parties—Amit	1,555	1,820
Other payables	Associates—Cameo	3,396	6,310
Other payables	Other related parties—Amigo	12,235	-
Other payables	Other related parties—Amit	6,490	659
Other payables	Other related parties—Sapido	2,100	-
Contract liabilities	Associates—T-COM	8,137	-
		<u>\$ 768,127</u>	<u>294,855</u>

The Consolidated Company's other payables to affiliates, which include equipment payables and others. Contract liabilities arose from the advance charges of sales consideration to affiliates.

(v) Property transaction

The acquisition of mold equipment and intangible assets from the related parties were as follows:

	2022	2021
Associates:		
Cameo	7,510	3,436
Other related parties:		
Amigo	32,574	5,814
Amit	472	-
Sapido	2,000	-
	<u>\$ 42,556</u>	<u>9,250</u>

(vi) Services purchased from related parties

The services purchased from related parties were as follows:

	2022	2021
Associates:		
Cameo	847	12,208
Other related parties:		
Amigo	10,102	3,436
Amit	14,466	-
	<u>\$ 25,415</u>	<u>15,644</u>

(Continued)

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

(vii) Other income and losses

Account	Relationship	2022	2021
Other gains and losses	Associates – Yeochia	\$ 286	-
Other gains and losses	Associates – Yeomao	(2,453)	-
Other gains and losses	Other related parties – Amigo	96	-
Other interest income	Other related parties – Amigo	<u>373</u>	<u>272</u>
		<u>\$ (1,698)</u>	<u>272</u>

Other income and losses consist of interest income, gain on disposal of miscellaneous equipment and other losses arising from the liquidation of interest from associates.

(viii) Lease

The Consolidated Company leased the office building to other related parties – Amigo and entered into a one-year lease agreement for \$3,663 thousand with reference to the office rental rate in the neighboring areas in October 2021. For the years ended December 31, 2022 and 2021, the Consolidated Company recognized rent income of \$3,488 thousand and \$1,300 thousand, respectively.

The Consolidated Company also leased the office building to Cameo and entered into a one-year lease agreement for \$640 thousand in March 2022. For the year ended December 31, 2022, the Consolidated Company recognized rent income of \$524 thousand.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 45,338	85,582
Post-employee benefits	<u>904</u>	<u>5,959</u>
	<u>\$ 46,242</u>	<u>91,541</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	<u>\$ 97,164</u>	<u>77,143</u>

(Continued)

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

(9) Significant contingent liabilities and unrecognized commitments:

- (a) The Consolidated Company's subsidiary, D-Link Brazil, had disputes regarding prior year's insufficient invoices attached to sales return with the local tax authorities, and had filed litigation. D-Link Brazil had accrued possible tax, interest and penalty.
- (b) The Consolidated Company's subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (c) UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (d) Israel Consumers Council filed a group lawsuit against the Consolidated Company's subsidiary, D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (e) In 2022, Atlas Global filed a lawsuit against the Company, alleging that some of D-Link's products have infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (f) In 2022, TurboCode LLC filed a lawsuit against the Company, alleging that some of the D-Link's products infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (g) The Consolidated Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the amount of liabilities is unclear. The Consolidated Company has accrued the possible expense.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

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

(12) Other:

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

By item	For the year ended December 31,					
	2022			2021		
	Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits						
Salaries	72,135	1,927,470	1,999,605	58,220	2,058,494	2,116,714
Labor and health insurance	2,600	99,919	102,519	2,381	127,032	129,413
Pension	7,423	111,468	118,891	5,922	126,557	132,479
Others	8,664	218,930	227,594	8,352	236,925	245,277
Depreciation	12,164	196,038	208,202	13,528	216,569	230,097
Amortization	31	30,782	30,813	36	43,228	43,264

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Shiang Hai	Other receivables-related parties	Yes	317,459	317,459	317,459	3.80	2	-	Operating Capital	-	-	-	2,797,257	2,797,257
1	D-Link International	D-Link Shiang Hai	Other receivables-related parties	Yes	597,646	360,357	360,357	-	2	-	Convert from Account receivables to loan receivable	-	-	-	2,797,257	2,797,257
2	D-Link Russia Investment	D-Link Corporation	Other receivables-related parties	Yes	752,346	752,346	752,346	-	2	-	Operating Capital	-	-	-	767,444	767,444
3	D-Link Japan K.K.	D-Link Corporation	Other receivables-related parties	Yes	421,749	421,749	421,749	0.50	2	-	Operating Capital	-	-	-	617,517	617,517
4	D-Link (Deutschland) GmbH	D-Link Europe	Other receivables-related parties	Yes	164,349	164,349	101,897	1.00	2	-	Operating Capital	-	-	-	200,050	200,050

Note 1: Purpose of fund financing for the borrower:

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

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

Note 3: Total amount of loans from D-Link Russia Investment to the Company shall not exceed 100% of the net worth of D-Link Russia Investment.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company shall not exceed 100% of the net worth of D-Link Japan K.K.

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

Note 6: Only disclose funding loan limits that are still valid until the end of 2022.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements	Amount	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company											
0	D-Link Corporation	D-Link Europe	2	1,999,455	122,473	122,473	62,324	-		1.37 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	153,540	153,540	57,152	-		1.72 %	5,998,365	Y	N	Y

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

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

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

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

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

(Continued)

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

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)			
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss-non-current	749,663	-	4.11 %	-	4.11 %	
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss-non-current	83,334	-	1.89 %	-	1.89 %	
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss-non-current	500,000	-	1.84 %	-	1.84 %	
D-Link Corporation	YICHA Information Corporation	None	Financial assets at fair value through profit or loss-non-current	73,500	-	6.68 %	-	6.68 %	
D-Link Corporation	UBICOM	None	Financial assets at fair value through profit or loss-non-current	926,814	-	3.05 %	-	3.05 %	
D-Link Corporation	PurpleComm, Inc.	None	Financial assets at fair value through profit or loss-non-current	3,385,417	-	14.10 %	-	14.10 %	
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss-non-current	6,600,000	-	2.39 %	-	2.39 %	
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss-non-current	600,000	-	1.88 %	-	1.88 %	
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss-non-current	252,525	-	0.05 %	-	0.05 %	
Yeotai	Stemcyte	None	Financial assets at fair value through other comprehensive income-non-current	18,950	215	0.01 %	215	0.01 %	
Yeotai	Kaimei	None	Financial assets at fair value through other comprehensive income-non-current	231,342	12,377	0.21 %	12,377	0.21 %	
D-Link India	ICICI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	310,132	37,716	-	37,716	- %	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	258,923	34,297	-	34,297	- %	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	16,719	33,606	-	33,606	- %	
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	25,004	32,126	-	32,126	- %	
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,909	35,895	-	35,895	- %	

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)			
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	20,926	33,788	-	33,788	- %	
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,993	37,690	-	37,690	- %	
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	24,571	22,280	-	22,280	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NTS300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NTS300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases/Sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	Sales and service revenue	(920,101)	(13) %	60 days	—	—	82,248	5%	
D-Link Corporation	D-Link Systems	Subsidiary	Sales and service revenue	(540,088)	(8) %	75 days	—	—	240,255	14%	
D-Link Corporation	D-Link Canada	Subsidiary	Sales and service revenue	(158,061)	(2) %	60 days	—	—	43,643	3%	
D-Link Corporation	D-Link Europe	Subsidiary	Sales and service revenue	(1,547,963)	(22) %	60 days	—	—	280,006	17%	
D-Link Corporation	D-Link ME	Subsidiary	Sales and service revenue	(1,302,058)	(18) %	60 days	—	—	382,258	23%	
D-Link Corporation	D-Link Australia	Subsidiary	Sales and service revenue	(199,263)	(3) %	60 days	—	—	26,026	2%	
D-Link Corporation	D-Link Japan	Subsidiary	Sales and service revenue	(622,582)	(9) %	60 days	—	—	143,758	9%	
D-Link Corporation	D-Link India	Subsidiary	Sales and service revenue	(939,617)	(13) %	45 days	—	—	225,073	13%	
D-Link Corporation	D-Link Trade	Subsidiary	Sales and service revenue	(140,493)	(2) %	180 days	—	—	-	-%	
D-Link Corporation	Cameo	Cameo is an associate of the consolidated corporation	Purchase	1,434,699	23 %	90 days	—	—	(453,134)	(27)%	
D-Link Corporation	AMIGO	Other related party	Purchase	706,972	11 %	90 days	—	—	(146,742)	(9)%	
D-Link International	D-Link Corporation	Parent company	Purchase	841,882	54 %	60 days	—	—	(82,248)	(61)%	
D-Link Systems	D-Link Corporation	Parent company	Purchase	560,936	90 %	75 days	—	—	(240,255)	(59)%	
D-Link Canada	D-Link Corporation	Parent company	Purchase	156,763	73 %	60 days	—	—	(43,643)	(67)%	
D-Link Europe	D-Link Corporation	Parent company	Purchase	1,540,225	82 %	60 days	—	—	(280,006)	(75)%	
D-Link ME	D-Link Corporation	Parent company	Purchase	1,301,467	42 %	60 days	—	—	(382,258)	(48)%	
D-Link Australia	D-Link Corporation	Parent company	Purchase	198,788	91 %	60 days	—	—	(26,026)	(94)%	
D-Link Japan	D-Link Corporation	Parent company	Purchase	597,478	85 %	60 days	—	—	(143,758)	(86)%	

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases/(Sales)	Payment terms	Unit price	Payment terms	Ending balances	Percentage of total notes/accounts receivable (payable)	
D-Link India	D-Link Corporation	Parent company	Purchase	879,724	22 %	45 days	—	—	(225,073)	(36)%	
D-Link Trade	D-Link Corporation	Parent company	Purchase	140,405	9 %	180 days	—	—	-	-%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sales)	(326,820)	(13) %	60 days	—	—	(1,362)	-%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sales)	(246,990)	(10) %	60 days	—	—	203,906	15%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(351,349)	(14) %	180 days	—	—	502,756	36%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	326,820	17 %	60 days	—	—	1,362	-%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	246,990	8 %	60 days	—	—	(203,906)	(26)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	351,349	23 %	180 days	—	—	(502,756)	(55)%	
D-link Shiang-Hai Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(886,577)	(87) %	150 days	—	—	397,466	96%	
D-Link Trade	D-link Shiang-Hai (Cayman) Inc.	The ultimate parent company is D-Link Corporation	Purchase	886,577	58 %	150 days	—	—	(397,466)	(43)%	

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue (Note 1)		Amounts received in subsequent period (Note 2)	Allowance for bad debts
					Amount	Action taken		
D-Link Corporation	D-Link Systems	Subsidiary	240,255	4.67	-	-	69,360	-
D-Link Corporation	D-Link Europe	Subsidiary	280,006	10.70	-	-	98,535	-
D-Link Corporation	D-Link ME	Subsidiary	382,258	6.78	-	-	61,415	-
D-Link Corporation	D-Link Japan	Subsidiary	143,758	8.31	-	-	51,579	-
D-Link Corporation	D-Link India	Subsidiary	225,073	7.31	-	-	128,083	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	203,906	0.65	203,906	-	-	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	638,497	-	638,497	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	167,458	0.03	167,458	-	-	17,897
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	502,756	0.56	465,919	-	-	56,392
D-link Shiang-Hai Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	397,466	5.95	-	-	-	82,289

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

Note 2: The amount represents collections subsequent to December 31, 2022 up to February 10, 2023.

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

(Continued)

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

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount		Book Value	Fair Value
		Non-trading:				
D-Link Corporation	Cross currency swap	USD	USD	28,200	1,585	1,585
D-Link Corporation	Cross currency swap	JPY	JPY	1,800,000	12,975	12,975
D-Link International	Cross currency swap	CNH	CNH	127,134	2,674	2,674
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR	1,400	13	13
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD	900	185	185
D-Link Corporation	Cross currency swap	EUR	EUR	2,400	(71)	(71)
D-Link International	Cross currency swap	EUR	EUR	800	(709)	(709)
D-Link Corporation	Cross currency swap	AUD	AUD	600	(56)	(56)
D-Link Corporation	Cross currency swap	CAD	CAD	500	(50)	(50)
D-Link International	Cross currency swap	CNH	CNH	41,664	(475)	(475)
D-Link Corporation	Forward foreign exchange contract	EUR(Sell)	EUR	6,300	(3,105)	(3,105)
D-Link Corporation	Forward foreign exchange contract	AUD (Sell)	AUD	1,700	(644)	(644)
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD	1,000	(18)	(18)
D-Link International	Forward foreign exchange contract	IDR (Sell)	IDR	21,805,000	(19)	(19)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR	227,782	(56)	(56)
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL	26,625	(2,007)	(2,007)
D-Link International	Forward foreign exchange contract	CNH (Buy)	CNH	24,301	(297)	(297)
D-Link Corporation	Forward foreign exchange contract	JPY(Sell)	JPY	1,025,060	(4,653)	(4,653)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW	4,420,970	(3,171)	(3,171)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	D-Link Corporation	D-Link Systems	1	Investments accounted for using equity method	1,507,525	-	10%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,478,811	-	16%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,664,029	-	11%
0	D-Link Corporation	D-Link Australia	1	Investments accounted for using equity method	156,385	-	1%

(Continued)

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

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	1,033,412	-	7%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	626,409	-	4%
0	D-Link Corporation	D-Link Brazil	1	Investments accounted for using equity method-credit	(179,589)	-	(1)%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(627,565)	-	(4)%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	920,101	60 Days	5%
0	D-Link Corporation	D-Link Systems	1	Sales and service revenue	540,088	75 Days	3%
0	D-Link Corporation	D-Link Europe	1	Sales and service revenue	1,547,963	60 Days	9%
0	D-Link Corporation	D-Link ME	1	Sales and service revenue	1,302,058	60 Days	8%
0	D-Link Corporation	D-Link Australia	1	Sales and service revenue	199,263	60 Days	1%
0	D-Link Corporation	D-Link Japan	1	Sales and service revenue	622,582	60 Days	4%
0	D-Link Corporation	D-Link India	1	Sales and service revenue	939,617	45 Days	6%
0	D-Link Corporation	D-Link Systems	1	Accounts receivable-related party	240,255	75 Days	2%
0	D-Link Corporation	D-Link Europe	1	Accounts receivable-related party	280,006	60 Days	2%
0	D-Link Corporation	D-Link ME	1	Accounts receivable-related party	382,258	60 Days	2%
0	D-Link Corporation	D-Link India	1	Accounts receivable-related party	225,073	45 Days	1%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	1,040,489	-	7%
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	970,342	-	6%
1	D-Link Holding	Success Stone	3	Investments accounted for using equity method	170,952	-	1%
1	D-Link Holding	D-Link Shiang-Hai (Cayman)	3	Investments accounted for using equity method-credit	(266,983)	-	(2)%
2	D-Link International	D-Link ME	3	Accounts receivable-related party	203,906	60 Days	1%
2	D-Link International	D-Link L.A.	3	Accounts receivable-related party	638,497	75 Days	4%
2	D-Link International	D-Link Brazil	3	Accounts receivable-related party	167,458	75 Days	1%

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
2	D-Link International	D-Link Trade	3	Accounts receivable-related party	502,756	180 Days	3%
2	D-Link International	D-Link Europe	3	(Sales)	326,820	60 Days	2%
2	D-Link International	D-Link ME	3	(Sales)	246,990	60 Days	1%
2	D-Link International	D-Link Trade	3	(Sales)	351,349	180 Days	2%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	767,444	-	5%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	1,038,838	-	7%
4	D-Link Shiang-Hai (Cayman)	D-Link Shiang-Hai	3	Investments accounted for using equity method-credit	(279,321)	-	(2)%
5	D-Link Europe	D-Link Deutschland	3	Investments accounted for using equity method	200,050	-	1%
6	D-Link Shiang-Hai	D-Link Trade	3	(Sales)	886,577	150 Days	5%
6	D-Link Shiang-Hai	D-Link Trade	3	Accounts receivable-related party	397,466	150 Days	3%

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

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

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

Note 3: Nature of relationship are listed as below:

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

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,672,702	1,625,875	48,045,007	100.00 %	1,507,525	100.00 %	44,144	D-Link Corporation acquired 1.56% of the shareholder D-Link Systems from D-Link Holding in November, 2022.	
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	216,354	216,354	5,736,000	100.00 %	153,846	100.00 %	(133,045)	(133,045)	
D-Link Corporation	D-Link International	Singapore	Global marketing, procurement and after-sale service	1,941,986	1,941,986	66,074,660	99.36 %	2,478,811	99.36 %	(267,553)	(37,521)	100% shares owned by D-Link Corporation and D-Link Holding. Share of loss of investee includes the amounts of transactions between affiliated companies.
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(627,565)	100.00 %	-	-	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	9,134	100.00 %	(2,161)	(2,161)	100% shares owned by D-Link Corporation and D-Link Holding

(In Thousands of New Taiwan Dollars/shares)

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
D-Link Corporation	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	3,444	100.00 %	(12,785)	(12,785)	100% shares owned by D-Link Corporation and D-Link Sudamerica.
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(179,589)	100.00 %	(38,146)	(38,943)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	-	83.33 %	1,033,412	83.33 %	148,303	148,303	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,764	16,744	1,000,000	100.00 %	156,385	100.00 %	8,931	8,931	D-Link International transferred 0.1% of its shareholding in D-Link Australia to the Company in December, 2022.
D-Link Corporation	D-Link Holding	S.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,664,029	100.00 %	182,310	62,773	Share of profit of investee includes the amounts of transactions between affiliated companies.
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	- %	10,169	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit of associates accounted for using equity method was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	626,409	100.00 %	15,302	15,302	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	46,318	100.00 %	129,066	129,066	
D-Link Corporation	Yeoehia	Taiwan	Investment company	-	-	-	- %	-	- %	-	-	Liquidation completed in July, 2022
D-Link Corporation	Yeoemao	Taiwan	Investment company	-	-	-	- %	-	- %	-	-	Liquidation completed in October, 2022
D-Link Corporation	Yeastai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	44,434	100.00 %	(1,916)	(1,916)	
D-Link Corporation	Cameo	Taiwan	Manufacturing and sell computer networks system equipment and its components and related technology research and development	1,102,479	1,102,479	137,532,993	41.58 %	1,416,631	41.58 %	94,973	18,203	Share of profit of investee includes the amounts of transactions between affiliated companies.
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	-	100.00 %	48,141	100.00 %	129,252	129,252	
D-Link Trade	F-COM	Russia	Marketing and after sales service in Russia	12,485	12,485	-	40.00 %	1,874	40.00 %	(4,293)	(8,468)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	-	22	-	- %	-	- %	-	-	D-Link International transferred 0.1% of its shareholding in D-Link Australia to the Company in December, 2022.
D-Link International	D-Link ME	UAE	Marketing and after sales service in Middle East and Africa	34,260	34,260	1	16.67 %	32,428	16.67 %	148,303	-	D-Link ME share's profit recognized in D-Link Corporation
D-Link International	D-Link Korea	Korea	Marketing and after sales service in Korea	44,300	44,300	330,901	100.00 %	(39,744)	100.00 %	(6,351)	(6,351)	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	-	100.00 %	(192)	100.00 %	6	6	
D-Link International	D-Link Russia Investment	S.V.I.	Investment company	789,757	789,757	25,000,000	100.00 %	767,444	100.00 %	(43,985)	(43,985)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,876	100.00 %	155	155	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service	3,574	3,574	1,000	100.00 %	4,617	100.00 %	556	556	
D-Link Holding	D-Link Europe	UK	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	970,342	100.00 %	(253,432)	(253,432)	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(15,047)	0.64 %	(267,555)	-	D-Link International share's loss recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	-	100.00 %	5,617	100.00 %	327	327	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	1,040,489	100.00 %	154,913	154,913	
D-Link Holding	D-Link Shing-hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(266,983)	100.00 %	281,526	281,526	

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
D-Link Holding	D-Link Systems	USA	Marketing and after sales service in USA	-	49,320	-	-	-	-	-	-	D-Link Holding transferred 1.56% of its shareholding in D-Link System to the Company in November, 2022.
D-Link Holding	Wishii	Singapore	Research, development, marketing and after sales service	-	-	-	-	-	-	-	-	Cancellation of registration in January, 2022
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	170,952	100.00 %	(484)	(484)	
D-Link Holding	MitlCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	28.98 %	-	-	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after sales service in Brazil	-	-	100	-	-	-	(38,146)	-	D-Link Brazil share's loss recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after sales service in Chile	-	-	1	-	-	-	(2,162)	-	D-Link Sudamerica share's loss recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after sales service in India	340,319	340,319	18,114,663	51.02 %	1,038,838	51.02 %	308,594	157,445	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	14	0.01 %	6,374	1	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamF1 India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	125,258	99.99 %	6,374	6,373	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	3	0.03 %	(1,380)	-	D-Link Peru S.A. share's loss recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Marketing and after sales service in Colombia	22,213	22,213	1,443,605	100.00 %	4,917	100.00 %	(139)	(139)	
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after sales service in Guatemala	410	410	99,000	99.00 %	562	99.00 %	-	-	In liquidation process.
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	8,449	99.97 %	(1,380)	(1,380)	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	-	6	-	(12,784)	-	D-Link Mexicana share's loss recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after sales service in Argentina	2,750	2,750	100	100.00 %	73	100.00 %	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	-	100.00 %	200,050	100.00 %	10,169	10,169	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	16,394	100.00 %	1,008	1,008	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	65,371	100.00 %	4,532	4,532	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	27,150	100.00 %	749	749	
D-Link Europe	D-Link Holdings)Ltd	UK	Investment company	-	-	3	100.00 %	9,348	100.00 %	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	41,913	100.00 %	2,134	2,134	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	8,376	100.00 %	539	539	
D-Link Europe	D-Link Polska Sp z o.o.	Poland	Marketing and after sales service in Poland	1,210	1,210	100	100.00 %	23,570	100.00 %	1,113	1,113	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	5,590	100.00 %	59	59	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	4,374	100.00 %	412	412	
D-Link Holdings)Ltd	D-Link UK	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	9,348	100.00 %	-	-	
D-Link Mediterraneo SRL	D-Link ADRIA d.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	-	100.00 %	1,203	100.00 %	(7)	(7)	In liquidation process
Ycotai	Xiramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	38,110	38,110	1,832,446	41.18 %	1,792	41.18 %	(5,969)	(2,558)	

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

Note 2: Limited Company

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

(Continued)

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	598,806	2	598,806	-	-	598,806	280,732	100.00%	100.00%	280,732	(279,321)	-
Netpro Trading	Research, development and trading business	21,496	2	20,037	-	-	20,037	794	100.00%	100.00%	794	14,399	-
YouXiang	Technical Service and Import/Export trading business	62,610	3	-	-	-	-	502	9.86%	9.86%	-	4,111	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Others

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 30,7100, CNY 4,4100 as of December 31, 2022.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
D-Link Corporation	618,843	574,462	Note

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Sapido Technology Inc.	59,818,400	9.97 %

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

(14) Segment information:

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

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

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

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

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

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

	2022				
	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 1,332,290	4,887,624	10,857,974	-	17,077,888
Inter-company	<u>30,411</u>	<u>22,969</u>	<u>2,839,566</u>	<u>(2,892,946)</u>	<u>-</u>
Total revenue	<u>\$ 1,362,701</u>	<u>4,910,593</u>	<u>13,697,540</u>	<u>(2,892,946)</u>	<u>17,077,888</u>
Reportable segment profit (loss)	<u>\$ (140,985)</u>	<u>(86,434)</u>	<u>1,465,273</u>	<u>(780,276)</u>	<u>457,578</u>
	2021				
	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 1,599,246	5,036,179	8,889,476	-	15,524,901
Inter-company	<u>23,999</u>	<u>4,045</u>	<u>3,977,356</u>	<u>(4,005,400)</u>	<u>-</u>
Total revenue	<u>\$ 1,623,245</u>	<u>5,040,224</u>	<u>12,866,832</u>	<u>(4,005,400)</u>	<u>15,524,901</u>
Reportable segment profit (loss)	<u>\$ (208,701)</u>	<u>57,325</u>	<u>1,266,460</u>	<u>(720,361)</u>	<u>394,723</u>

(Continued)

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

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Reportable segment assets:					
December 31, 2022	\$ <u>2,954,333</u>	<u>4,585,624</u>	<u>23,412,208</u>	<u>(15,530,624)</u>	<u>15,421,541</u>
December 31, 2021	\$ <u>3,133,150</u>	<u>3,967,148</u>	<u>20,546,004</u>	<u>(13,142,438)</u>	<u>14,503,864</u>

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

Total reportable segment revenues after eliminating the intergroup revenues were \$2,892,946 thousand and \$4,005,400 thousand for 2022 and 2021, respectively.

(b) Products and services information

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

(c) Geographic information

<u>Country</u>	2022	2021
Non-current assets		
Taiwan	\$ 856,630	828,286
India	496,376	459,859
Other countries	<u>728,589</u>	<u>664,301</u>
Total	<u>\$ 2,081,595</u>	<u>1,952,446</u>

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

(d) Major customers

There were no individual customers representing greater than 10% of consolidated revenue for 2022 and 2021.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

We have audited the financial statements of D-LINK CORPORATION, which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of D-Link International Ptd. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2022, and the financial statements of D-Link International Pte. Ltd., a subsidiary of D-Link Corporation as of and for the year ended December 31, 2021. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the report of other auditors. Investments accounted for using equity method of above subsidiaries reflect the total assets of \$1,374,993 thousand and \$1,429,875 thousand, constituting 10% and 13%, of the total assets at December 31, 2022 and 2021, respectively. Besides, the share of profit (loss) of subsidiaries accounted for using equity method of \$(68,403) thousand and \$56,946 thousand, constituting (49)% and 24%, of the net profit before tax for the years ended December 31, 2022 and 2021, respectively.



Key Audit Matters

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

1. Evaluation of investments accounted for using equity method

Please refer to Note 4(h) “Summary of significant accounting policies – Investment in associates”, Note 4(i) “Summary of significant accounting policies – Investment in subsidiaries”, and Note 6(e) “Explanation of significant accounts - Investments accounted for using equity methods” of the parent-company-only financial statements.

Key Audit Matter Explanation:

Investments accounted for using equity method is a material asset to D-LINK CORPORATION, and is significant in its financial statements, with a carrying amount amounting to \$8,453,274 thousand as of December 31, 2022. Therefore, it has been identified as the key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Communicating with other auditors who audited the financial statements of the associates and subsidiaries of D-Link Corporation, including issuing group audit instruction to subsidiaries and associates, and obtaining the financial statements audited by other auditors. Another auditors performing audit procedures on inventories, accounts receivable and revenue, such as inventory evaluation, accounts receivable evaluation, as well as reviewing the correctness of value and timing of revenue recognition, reviewing and evaluating the reasonableness of main operation changes of the investments; comparing the financial statements of the Company’s investments accounted for using equity method with the group reporting information provided by other auditors, and issuing confirmation letters; as well as considering the adequacy of company’s disclosures on its accounts.

2. Revenue recognition

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

Key Audit Matter Explanation:

The Company sells internet related products and services, and aims to offer high-quality internet solution proposals to global consumers and enterprises. Revenue is the key performance indicator to evaluate the Company’s performance, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

We tested the effectiveness of the Company’s controls surrounding revenue recognition; reviewed relevant sales documents to evaluate whether terms of sales are consistent with the accounting standards; analyzed and compared the changes in sales to major customers to assess the reasonableness of revenue recognition.



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of D-LINK CORPORATION' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on D-LINK CORPORATION's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause D-LINK CORPORATION to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2022		2021	
		Amount	%	Amount	%
4000	Net operating revenues (note 6(r) and 7)	\$ 7,240,829	100	1,392,575	100
5000	Operating costs (notes 6(d) and 7)	<u>6,127,608</u>	<u>85</u>	<u>520,881</u>	<u>37</u>
	Gross profit from operations	1,113,221	15	871,694	63
5910	Less: Unrealized gross profit from sales	<u>160,885</u>	<u>2</u>	<u>-</u>	<u>-</u>
	Realized gross profit from operations	<u>952,336</u>	<u>13</u>	<u>871,694</u>	<u>63</u>
	Operating expenses: (notes 6(c), (f), (g), (h), (i), (k), (n) and (s))				
6100	Selling expenses	404,427	6	367,216	25
6200	Administrative expenses	299,984	4	249,976	18
6300	Research and development expenses	333,990	5	587,011	42
6450	Expected credit loss (reversal gain) (note 6(c))	<u>221</u>	<u>-</u>	<u>(208)</u>	<u>-</u>
		<u>1,038,622</u>	<u>15</u>	<u>1,203,995</u>	<u>85</u>
	Net operating loss	<u>(86,286)</u>	<u>(2)</u>	<u>(332,301)</u>	<u>(22)</u>
	Non-operating income and expenses:				
7100	Interest income (notes 6(t) and 7)	2,586	-	3,549	-
7010	Other income (notes 6(t) and 7)	9,422	-	5,119	-
7020	Other gains and losses (notes 6(b), (n), (t) and 7)	18,129	-	(15,914)	(1)
7050	Finance costs (notes 6(k), (n), (t) and 7)	(4,478)	-	(5,708)	-
7060	Share of profit of subsidiaries and associates accounted for using equity method (note 6(e))	<u>199,951</u>	<u>3</u>	<u>583,787</u>	<u>42</u>
		<u>225,610</u>	<u>3</u>	<u>570,833</u>	<u>41</u>
	Profit before tax	139,324	1	238,532	19
7950	Less: Income tax expense (benefit) (note 6(o))	<u>30,091</u>	<u>-</u>	<u>(665)</u>	<u>-</u>
	Net profit	<u>109,233</u>	<u>1</u>	<u>239,197</u>	<u>19</u>
	Other comprehensive (loss) income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	20,106	-	(1,687)	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(16,112)	-	49,816	4
8330	Share of other comprehensive loss of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(9,376)	-	(9,248)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(5,382)</u>	<u>-</u>	<u>38,881</u>	<u>3</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(p) and (u))				
8361	Exchange differences on translation of foreign financial statements	590,988	8	(389,612)	(28)
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	10,500	-	871	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	<u>97,156</u>	<u>1</u>	<u>(45,730)</u>	<u>(3)</u>
		<u>504,332</u>	<u>7</u>	<u>(343,011)</u>	<u>(25)</u>
8300	Other comprehensive income (loss), net	<u>498,950</u>	<u>7</u>	<u>(304,130)</u>	<u>(22)</u>
	Total comprehensive income (loss)	<u>\$ 608,183</u>	<u>8</u>	<u>(64,933)</u>	<u>(3)</u>
	Basic earnings per share (New Taiwan dollars) (note 6(q))	<u>\$ 0.18</u>		<u>0.38</u>	
	Diluted earnings per share (New Taiwan dollars) (note 6(q))	<u>\$ 0.18</u>		<u>0.38</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance at January 1, 2021	6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	9,259,495
Net profit	-	-	-	-	239,197	-	-	239,197
Other comprehensive income (loss)	-	-	-	-	(1,687)	(343,011)	40,568	(304,130)
Total comprehensive income (loss)	-	-	-	-	237,510	(343,011)	40,568	(64,933)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	56,647	-	(56,647)	-	-	-
Special reserve appropriated	-	-	-	207,390	(207,390)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(195,597)	-	-	(195,597)
Other changes in capital surplus:								
Changes in equity of associates accounted for using equity method	-	(740)	-	-	729	-	-	(11)
Capital reduction	(521,596)	-	-	-	-	-	-	(521,596)
Disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	(54,847)	-	-	54,847
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	9,248	-	(9,248)	-
Balance at December 31, 2021	5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	8,477,338
Net profit	-	-	-	-	109,233	-	-	109,233
Other comprehensive income (loss)	-	-	-	-	20,106	504,332	(25,488)	498,950
Total comprehensive income (loss)	-	-	-	-	129,339	504,332	(25,488)	608,183
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	19,264	-	(19,264)	-	-	-
Special reserve appropriated	-	-	-	280,213	(280,213)	-	-	-
Other changes in capital surplus:								
Cash dividends from capital surplus	-	(179,950)	-	-	-	-	-	(179,950)
Changes in equity of associates accounted for using equity method	-	-	-	-	4,081	-	-	4,081
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	16,266	-	-	16,266
Balance at December 31, 2022	5,998,365	1,342,623	2,129,290	693,165	149,686	(1,359,264)	(44,193)	8,909,672

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 139,324	238,532
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	55,572	60,514
Amortization expense	28,670	40,760
Expected credit loss (reversal gain)	221	(208)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(15,964)	30,439
Interest expense	4,478	5,708
Interest income	(2,586)	(3,549)
Share of profit of subsidiaries and associates accounted for using equity method	(199,951)	(583,787)
Unrealized profit from sales	160,885	-
Profit from lease modification	(237)	-
Gain on disposal of property, plan and equipment	(4)	(5)
Other	88,054	(2,114)
Total adjustments to reconcile profit (loss)	119,138	(452,242)
Changes in operating assets and liabilities:		
Increase in notes receivable	(377)	(2,637)
(Increase) decrease in accounts receivable	(23,796)	17,690
(Increase) decrease in accounts receivable due from related parties	(1,424,325)	16,756
Decrease in other receivable	1,169	909
(Increase) decrease in inventories	(292,632)	34,603
Increase in other current assets	(42,737)	(26,473)
(Increase) decrease in other non-current assets	(14,688)	1,722
Total changes in operating assets	(1,797,386)	42,570
Increase in contract liabilities	11,034	14,740
Increase in notes payable	2,045	-
Increase in accounts payable	926,888	2,558
Increase in accounts payable to related parties	593,767	3,131
Increase (decrease) in other payable	23,125	(218,024)
Decrease in provisions	(7,407)	(14,626)
Increase (decrease) in refund liabilities	1,925	(7,742)
Increase (decrease) in other current liabilities	24,527	(6,252)
Increase (decrease) in other non-current liabilities	8,842	(1,108)
Total changes in operating liabilities	1,584,746	(227,323)
Total changes in operating assets and liabilities	(212,640)	(184,753)
Total adjustments	(93,502)	(636,995)
Cash flow from (used in) operations	45,822	(398,463)
Interest received	2,586	3,549
Dividends received	106,141	203,607
Interest paid	(5,920)	(5,873)
Income taxes paid	(15,383)	(33,331)
Net cash flows from (used in) operating activities	133,246	(230,511)
Cash flows from (used in) investing activities:		
Increase in investments accounted for using equity method	(24,446)	(799,999)
Proceeds from capital reduction of investments accounted for using equity method	-	267,512
Acquisition of property, plant and equipment	(44,494)	(31,601)
Proceeds from disposal of property, plant and equipment	4	5
Increase in refundable deposits	(15,358)	-
Acquisition of intangible assets	(43,334)	(11,922)
Return from liquidation	212,619	-
Other investing activities	-	(309)
Net cash flows from (used in) investing activities	84,991	(576,314)
Cash flows from (used in) financing activities:		
Decrease in other short-term loans	(325,154)	(98,360)
Increase in other long-term loans	752,346	-
Payment of lease liabilities	(2,641)	(3,582)
Cash dividends paid	(179,950)	(195,597)
Capital reduction payments to shareholders	-	(521,596)
Net cash flows from (used in) financing activities	244,601	(819,135)
Net increase (decrease) in cash and cash equivalents	462,838	(1,625,960)
Cash and cash equivalents at beginning of period	151,391	1,777,351
Cash and cash equivalents at end of period	\$ 614,229	151,391

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

D-LINK CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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

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

The accompanying financial statements were approved and authorized for release by the Board of Directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented.

(a) Statement of Compliance

These financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” .

(b) Basis of Preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

- (i) It is expected to be realized or intends to sell or consume it in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. 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.

(e) Cash and cash equivalents

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

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(f) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and beneficiary certificate. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

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- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and trade receivables, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Financial liabilities

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

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

3) 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 capitalized as capital cost is recognized in non-operating income and expense, and is included in other gains and losses.

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

The Company assigned parts of hedge instruments (derivate financial instruments) to hedge its cash flow.

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

(g) 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.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the 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 parent company only financial statements include the 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 Company from the date that significant influence commences until the date that significant influence ceases.

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

If an associate issues new shares and the 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 relation to the associate will be reclassified proportionately on the same basis as if the Company had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

Subsidiaries that the Company has significant influence over their financial and operating policies are accounted for using the equity method. Under equity method, profit or loss and comprehensive income in the parent company only financial statements are consistent with the profit or loss and the comprehensive income that are attributable to the owners of the parent in the consolidated financial statements. In addition, equity in the parent company only financial statements are consistent with the equity attributable to owners in the consolidated financial statements.

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The Company recognizes any changes in its subsidiaries' equity, which did not result in the changes of its influence within the transaction regarding its owners' equity.

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings and improvements: 5~55 years
- 2) Transportation, office equipment and others: 2~9 years

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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.

- (iv) Reclassification to investment property

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

- (l) Leases

The Company assesses whether a contract is or contains a lease on the date of its establishment, and a contract is or contains a lease if the contract transfers control over the use of the identified asset for a period of time in exchange for consideration.

- (i) As a leasee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

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- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office building that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

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(m) Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

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 from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

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

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

(n) Impairment – non-derivative financial assets

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

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

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

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

(o) Provisions

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

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(i) Warranties

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

(ii) Legal proceedings and royalties

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

(p) Revenue from contracts with customers

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

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

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

The Company offers a standard warranty for the consumer electronics sold to provide assurance that the product complies with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(1).

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

In case of fixed-price contracts, the customers the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized.

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

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(q) Employee benefits

(i) 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.

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

(r) Income Taxes

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

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

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

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

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

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

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

- (i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend either to settle current tax 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.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

- (s) Earnings per share

The 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

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D-LINK CORPORATION
Notes to the Financial Statements

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 Board of Directors 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.

(t) Operating segments

The Company discloses the informations of operating segments in the consolidated financial statements. Therefore the Company does not disclose such information in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC 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.

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

(a) Valuation of inventories

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

(b) Judgment on whether company has substantial control over invested company

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

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Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 168	191
Checking and saving accounts	<u>614,061</u>	<u>151,200</u>
Cash and cash equivalents	<u>\$ 614,229</u>	<u>151,391</u>

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

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

(b) Financial Assets and Liabilities

(i) Details as follows

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss - current		
Cross currency swaps	\$ 14,560	-
Forward foreign exchange contracts	<u>198</u>	<u>-</u>
	<u>\$ 14,758</u>	<u>-</u>
	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss - current		
Cross currency swaps	\$ 177	9,803
Forward foreign exchange contracts	<u>8,420</u>	<u>-</u>
	<u>\$ 8,597</u>	<u>9,803</u>

- 1) On February 17, 2021, the Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Company transferred from financial assets at fair value through other comprehensive income to investments accounted for using the equity method and reclassified from other equity loss to retained earnings amounting to \$54,847 thousand.
- 2) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(w).
- 3) As of December 31, 2022 and 2021, no financial assets are pledged as collateral.

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D-LINK CORPORATION
Notes to the Financial Statements

(ii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2022 and 2021, transactions that do not qualify for hedging accounting are presented as held-for-trading financial assets were as follows:

1) Derivative financial assets

	December 31, 2022			December 31, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 28,200	USD	2023.01 ~2023.03	-	-	-
JPY	\$ 1,800,000	JPY	2023.01 ~2023.02	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	1,400	EUR	2023.02	-	-	-
CAD (sell)	900	CAD	2023.01 ~2023.02	-	-	-

2) Derivative financial liabilities

	December 31, 2022			December 31, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ -	USD	-	1,700	USD	2022.02
EUR	2,400	EUR	2023.01 ~2023.02	10,000	EUR	2022.02
JPY	-	JPY	-	1,800,000	JPY	2022.01 ~2022.03
AUD	600	AUD	2023.01	-	-	-
CAD	500	CAD	2023.01	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	6,300	EUR	2023.01 ~2023.02	-	-	-
AUD (sell)	1,700	AUD	2023.01 ~2023.03	-	-	-
CAD (sell)	1,000	CAD	2023.02	-	-	-
JPY (sell)	1,025,060	JPY	2023.01 ~2023.03	-	-	-

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- (c) Notes and accounts receivable (including related parties) and other receivables

	December 31, 2022	December 31, 2021
Notes receivable for operating activities	\$ 5,660	5,283
Accounts receivable (including related parties) for operating activities	1,673,238	225,117
Other receivables	<u>26,730</u>	<u>240,518</u>
	1,705,628	470,918
Less: Loss Provision	<u>(1,109)</u>	<u>(888)</u>
	<u>\$ 1,704,519</u>	<u>470,030</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss provision as of 2022 and 2021 was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,342,631	0.08%	1,079
90 days or less past due	354,781	0.01%	30
91 to 180 days past due	<u>8,216</u>	0.00%	<u>-</u>
	<u>\$ 1,705,628</u>		<u>1,109</u>

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 455,439	0.18%	842
90 days or less past due	<u>15,479</u>	0.30%	<u>46</u>
	<u>\$ 470,918</u>		<u>888</u>

The movements in the provision for notes and accounts receivable and other receivables were as follows:

	2022	2021
Balance at January 1, 2022 and 2021	\$ 888	1,096
Impairment loss recognized (reversal gain)	<u>221</u>	<u>(208)</u>
Balance at December 31, 2022 and 2021	<u>\$ 1,109</u>	<u>888</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(d) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ <u>383,227</u>	<u>88,874</u>

The operating cost comprises of cost of goods sold, write-down loss (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). For the year ended December 31, 2022 and 2021, the cost of goods delivered were \$6,097,178 thousand and \$495,756 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$32,151 thousand and \$21,580 thousand for the year ended December 31 2022 and 2021, respectively. In 2022, the Company assessed the net realizable value of inventories in consideration of the market share trend and the life cycle of products, and reversed the write-down loss of inventories to net realizable value to reduce cost of goods sold by \$1,721 thousand. In 2021, the Company recognized write-down loss of inventories to net realizable value of \$3,545 thousand, because of the shortage of materials and the increase in logistics time to increase stocking.

As of December 31, 2022 and 2021, no inventories were pledged as collateral.

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 7,843,797	7,273,419
Associates	<u>1,416,631</u>	<u>1,394,856</u>
	9,260,428	8,668,275
Less: Credit balance of equity investment (In other non-current liabilities)	<u>(807,154)</u>	<u>(752,453)</u>
	<u>\$ 8,453,274</u>	<u>7,915,822</u>

- (i) In November 2022, the Company reorganized and bought back 1.56% shares of D-Link Systems from D-Link Holding for \$24,426 thousand (US\$782 thousand).
- (ii) In December 2022, the Company reorganized and bought back 0.10% shares of D-Link Australia from D-Link International for \$20 thousand (US\$1 thousand).
- (iii) YEOCHIA, the Company's the investment accounted for using equity method, reduced its capital by cash in 2021, and the Company received cash for \$200,000 thousand.
- (iv) D-Link Canada, the Company's investment accounted for using equity method, reduced its capital by cash in 2021, and the Company received cash for \$67,512 thousand (CAD\$3,000 thousand).
- (v) YEOCHIA and YEOMAO, the Company's investments accounted for using equity method, carried out liquidation procedure in December 2021, were liquidated in July 2022 and October 2022, respectively.

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D-LINK CORPORATION
Notes to the Financial Statements

1) Subsidiaries

Please refer to the 2022 consolidated financial statements.

2) Associates

Name of Associate	Name of relationship with the Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held	
			December 31, 2022	December 31, 2021
Cameo Communication, Inc. (Cameo)	The major business activities are manufacturing and selling of network system equipment and its components, as well as researching and developing of related technologies. It is the supplier of the Company.	Taiwan	41.58 %	41.58 %

a) The financial information on Cameo was summarized as follows:

	December 31, 2022	December 31, 2021
Current assets	\$ 3,871,200	1,693,178
Non-current assets	1,732,411	3,397,654
Current liabilities	1,484,128	875,644
Non-current liabilities	<u>885,525</u>	<u>5,966,476</u>
Net assets	<u>\$ 3,233,958</u>	<u>3,130,351</u>
Net assets attributable to investee's shareholders	<u>\$ 3,233,958</u>	<u>3,130,351</u>
	2022	2021
Operating revenue	<u>\$ 3,379,117</u>	<u>2,479,234</u>
Net Income	\$ 94,973	390,654
Other comprehensive income (loss)	<u>8,634</u>	<u>(57,188)</u>
Total comprehensive income	<u>\$ 103,607</u>	<u>333,466</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 103,607</u>	<u>333,466</u>

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D-LINK CORPORATION
Notes to the Financial Statements

	2022	2021
The Company's share in associate's net assets at beginning of year	\$ 1,301,552	-
The Company's share in associate's total comprehensive income	43,061	189,571
Increase of investment	<u>-</u>	<u>1,111,981</u>
The Company's share in associate's net assets at end of year	1,344,613	1,301,552
Less: unrealized gains	(30,471)	(9,185)
Add: goodwill	<u>102,489</u>	<u>102,489</u>
Carrying amounts of investments accounted for using equity method	<u>\$ 1,416,631</u>	<u>1,394,856</u>

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

	December 31, 2022	December 31, 2021
Cameo	<u>\$ 1,416,590</u>	<u>1,567,876</u>

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

3) Pledges

As of December 31, 2022 and 2021, no investments accounted for using equity methods were pledged as collateral.

(f) Right-of-use assets

The Company leases buildings. Information about leases was presented below:

		Buildings
Cost:		
Balance at January 1, 2022	\$ 18,321	
Decrease	<u>(8,209)</u>	
Balance at December 31, 2022	<u>\$ 10,112</u>	
Balance at January 1, 2021	\$ 16,065	
Increase	3,214	
Decrease	<u>(958)</u>	
Balance at December 31, 2021	<u>\$ 18,321</u>	

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D-LINK CORPORATION
Notes to the Financial Statements

Buildings

Accumulated Depreciation:

Balance at January 1, 2022	\$	6,818
Increase		2,857
Decrease		<u>(3,634)</u>
Balance at December 31, 2022	\$	<u>6,041</u>
Balance at January 1, 2021	\$	4,137
Increase		3,639
Decrease		<u>(958)</u>
Balance at December 31, 2021	\$	<u>6,818</u>

Carrying amount:

Balance at December 31, 2022	\$	<u>4,071</u>
Balance at December 31, 2021	\$	<u>11,503</u>
Balance at January 1, 2021	\$	<u>11,928</u>

(g) Property, plant and equipment

	2022				Balance as of December 31, 2022
	Balance as of January 1, 2022	Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	548,803	919	-	-	549,722
Others	<u>626,454</u>	<u>43,575</u>	<u>154,848</u>	<u>-</u>	<u>515,181</u>
	<u>1,706,710</u>	<u>44,494</u>	<u>154,848</u>	<u>-</u>	<u>1,596,356</u>
Accumulated depreciation:					
Buildings	430,564	5,115	-	-	435,679
Others	<u>548,639</u>	<u>47,204</u>	<u>154,848</u>	<u>-</u>	<u>440,995</u>
	<u>979,203</u>	<u>52,319</u>	<u>154,848</u>	<u>-</u>	<u>876,674</u>
	<u>\$ 727,507</u>	<u>(7,825)</u>	<u>-</u>	<u>-</u>	<u>719,682</u>

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D-LINK CORPORATION
Notes to the Financial Statements

	2021				Balance as of December 31, 2021
	Balance as of January 1, 2021	Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	548,086	717	-	-	548,803
Others	<u>722,347</u>	<u>30,884</u>	<u>126,777</u>	<u>-</u>	<u>626,454</u>
	<u>1,801,886</u>	<u>31,601</u>	<u>126,777</u>	<u>-</u>	<u>1,706,710</u>
Accumulated depreciation:					
Buildings	425,572	4,992	-	-	430,564
Others	<u>623,929</u>	<u>51,487</u>	<u>126,777</u>	<u>-</u>	<u>548,639</u>
	<u>1,049,501</u>	<u>56,479</u>	<u>126,777</u>	<u>-</u>	<u>979,203</u>
	<u>\$ 752,385</u>	<u>(24,878)</u>	<u>-</u>	<u>-</u>	<u>727,507</u>

As of December 31, 2022 and 2021, no property, plant and equipment were pledged as collateral.

(h) Investment property

	2022				Balance as of December 31, 2022
	Balance as of January 1, 2022	Increase	Decrease	Transfer	
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>12,320</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>12,716</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 38,876</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>38,480</u>

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Notes to the Financial Statements

	2021				Balance as of December 31, 2021
	Balance as of January 1, 2021	Increase	Decrease	Transfer	
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>11,924</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>12,320</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,272</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>38,876</u>

	December 31, 2022	December 31, 2021
Book value	<u>\$ 38,480</u>	<u>38,876</u>
Fair value	<u>\$ 73,181</u>	<u>51,328</u>

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(t). Besides, direct operating expenses related to investment property were \$292 thousand and \$296 thousand in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the fair value of investment property was evaluated based on the comparable deal information with similar location and category or appraisal report.

As of December 31, 2022 and 2021, no investment properties were pledged as collateral.

(i) Intangible assets

	2022				Balance as of December 31, 2022
	Balance as of January 1, 2022	Increase	Decrease	Amortization	
Patents	15,028	-	-	(2,692)	12,336
Computer software costs	19,139	1,071	-	(13,808)	6,402
Other intangible assets	<u>11,295</u>	<u>42,263</u>	<u>(711)</u>	<u>(12,170)</u>	<u>40,677</u>
	<u>\$ 45,462</u>	<u>43,334</u>	<u>(711)</u>	<u>(28,670)</u>	<u>59,415</u>

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Notes to the Financial Statements

	2021				Balance as of
	Balance as of	Increase	Decrease	Amortization	of
	January 1,				December
	2021				31, 2021
Patents	17,720	-	-	(2,692)	15,028
Computer software costs	43,113	4,147	(2,322)	(25,799)	19,139
Other intangible assets	13,467	10,097	-	(12,269)	11,295
	<u>\$ 74,300</u>	<u>14,244</u>	<u>(2,322)</u>	<u>(40,760)</u>	<u>45,462</u>

(j) Other long-term and short-term loans

For further information on other long-term and short-term loans from the subsidiaries, please refer to note 7(b).

The details requirements and terms of the long-term and short-term loans of the Company were as follows:

(i) Other long-term and short-term loans

	Currency	Interest rate	Maturity year	December 31, 2022	December 31, 2021
Other short-term loans	EUR	1%	2022	\$ -	313,645
Other short-term loans	JPY	0.5%	2022~2023	421,749	433,258
Other long-term loans	USD	-	2027	752,346	-
				<u>\$ 1,174,095</u>	<u>746,903</u>
Unused credit facilities				<u>\$ 3,236,868</u>	<u>4,117,132</u>

(k) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	<u>\$ 1,956</u>	<u>4,033</u>
Non-current	<u>\$ 2,469</u>	<u>7,846</u>

The amounts recognized in profit or loss were as follows:

	2022	2021
Interests on lease liabilities	<u>\$ 111</u>	<u>201</u>
Expenses relating to short-term leases	<u>\$ 2,096</u>	<u>2,760</u>

(Continued)

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Notes to the Financial Statements

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

	2022	2021
Total cash outflow for leases	\$ <u>4,848</u>	<u>6,543</u>

Real estate leases

The Company leases buildings for its office space, and the leases of office space typically run for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(l) Provisions – current

	2022					Balance as of
	Balance as of January 1, 2022	Increase	Used	Reversed	Effect of exchange	December 31, 2022
Warranties	\$ 62,860	8,529	(7,407)	-	-	63,982
Legal proceedings and royalties	<u>119,067</u>	<u>106,963</u>	<u>-</u>	<u>(34,134)</u>	<u>7,706</u>	<u>199,602</u>
	<u>\$ 181,927</u>	<u>115,492</u>	<u>(7,407)</u>	<u>(34,134)</u>	<u>7,706</u>	<u>263,584</u>

	2021					Balance as of
	Balance as of January 1, 2021	Increase	Used	Reversed	Effect of exchange	December 31, 2021
Warranties	\$ 69,562	-	(5,378)	(1,324)	-	62,860
Legal proceedings and royalties	<u>132,650</u>	<u>52,431</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(1,138)</u>	<u>119,067</u>
	<u>\$ 202,212</u>	<u>52,431</u>	<u>(14,626)</u>	<u>(56,952)</u>	<u>(1,138)</u>	<u>181,927</u>

(m) Refund liabilities

	December 31, 2022	December 31, 2021
Refund liabilities	\$ <u>26,765</u>	<u>24,840</u>

Due to the application of IFRS 15, the provision of sales allowance was reclassified from other payable to refund liabilities.

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D-LINK CORPORATION
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(n) Employee benefits

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 70,547	86,814
Fair value of plan assets	<u>(80,571)</u>	<u>(75,551)</u>
Net defined benefit (assets) liabilities	<u>\$ (10,024)</u>	<u>11,263</u>

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.

1) Composition of plan assets

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 \$80,571 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.

- 2) Movements in the present value of the defined benefit obligations in 2022 and 2021 were as follows:

	2022	2021
Defined benefit obligation at January 1	\$ 86,814	91,577
Current service costs and interests	1,227	1,197
Remeasurement of the defined benefit liabilities		
— Actuarial losses from changes in demographic assumption	-	118
— Actuarial gains from changes in the financial assumptions	(5,647)	(5,109)
— Actuarial (gains) losses from changes in experience adjustments	(8,629)	7,971
Benefits paid	<u>(3,218)</u>	<u>(8,940)</u>
Defined benefit obligation at December 31	<u>\$ 70,547</u>	<u>86,814</u>

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D-LINK CORPORATION
Notes to the Financial Statements

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2022 and 2021 were as follows:

	2022	2021
Fair value of plan assets at January 1	\$ 75,551	80,892
Interest income	605	324
Remeasurement of the net plan assets		
— Actuarial return on plan assets (excluding interests)	5,830	1,293
Contributions made	1,803	1,982
Benefits paid	<u>(3,218)</u>	<u>(8,940)</u>
Fair value of plan assets at December 31	<u><u>\$ 80,571</u></u>	<u><u>75,551</u></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2022 and 2021 were as follow:

	2022	2021
Current service costs	\$ 532	831
Net interest on the net defined benefit obligation	<u>90</u>	<u>42</u>
	<u><u>\$ 622</u></u>	<u><u>873</u></u>
	2022	2021
Operating costs	\$ 9	14
Selling expenses	355	485
Administrative expenses	136	164
Research and development expenses	<u>122</u>	<u>210</u>
	<u><u>\$ 622</u></u>	<u><u>873</u></u>

5) Remeasurement of the net define benefits liabilities recognized in other comprehensive income

The Company's remeasurement of the net define benefit liabilities recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Balance on January 1	\$ 49,017	47,330
Recognized	<u>(20,106)</u>	<u>1,687</u>
Balance on December 31	<u><u>\$ 28,911</u></u>	<u><u>49,017</u></u>

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D-LINK CORPORATION
Notes to the Financial Statements

6) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.400 %	0.800 %
Future salary increases	3.000 %	3.000 %

The Company has a net defined benefit asset as of December 31, 2022 and no contributions are expected to be made within one year.

The weighted average duration of defined benefit obligation is 13.00 years and 14.00 years in 2022 and 2021, respectively.

7) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2022 and 2021 was as follows:

	Effective of defined benefit liabilities	
	Increase	Decrease
December 31, 2022		
Discount rate (0.25% change)	\$ (2,202)	2,289
Future salary increase (0.25% change)	2,071	(2,007)
December 31, 2021		
Discount rate (0.25% change)	(2,955)	3,080
Future salary increase (0.25% change)	2,788	(2,696)

The analysis of the impact of sensitivity is based on the situation that other assumptions remain constant. In actual situation, many changes in assumption might be linked. The way the Company used to calculate sensitively analysis is as same as the one used in calculating the net pension obligation.

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

(ii) Defined contribution plans

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

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The amounts of the Company's pension expenses under defined contribution pension plan in 2022 and 2021 were as follows and the amounts were contributed to the labor pension personal accounts of Bureau of the Labor Insurance:

	2022	2021
Operating costs	\$ 131	138
Operating expenses	<u>26,568</u>	<u>34,177</u>
	<u>\$ 26,699</u>	<u>34,315</u>

(o) Income Taxes

Income tax expenses (benefits) for the years ended 2022 and 2021 were summarized as follows:

	2022	2021
Current income tax expense (benefit)	\$ 14,320	(3,150)
Deferred tax expense	<u>15,771</u>	<u>2,485</u>
Income tax expenses (benefits)	<u>\$ 30,091</u>	<u>(665)</u>

The amounts of income tax benefit recognized in other comprehensive income were as follows:

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>\$ 97,156</u>	<u>(45,730)</u>

Reconciliations of income tax expense (benefit) and profit before tax were as follows:

	2022	2021
Profit before income tax	<u>\$ 139,324</u>	<u>238,532</u>
Income tax using the Company's domestic tax rate	\$ 27,865	47,706
Share of profit of subsidiaries and associates accounted for using equity method	(39,492)	(22,223)
Investment income from domestic company	(3,257)	(39,764)
Unrecognized changes of temporary differences	79,845	(30,713)
Income tax adjustments on prior years and others	<u>(34,870)</u>	<u>44,329</u>
Income tax expenses (benefits)	<u>\$ 30,091</u>	<u>(665)</u>

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Notes to the Financial Statements

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences		
Unrealized expenses	\$ 38,698	24,132
Provisions for warranty	12,796	12,572
Unrealized impairment	24,318	24,318
Unrealized gross profit from sales	60,250	-
Others	<u>47,233</u>	<u>47,167</u>
	<u>183,295</u>	<u>108,189</u>
Operating loss carry forward	<u>220,003</u>	<u>215,264</u>
	<u>\$ 403,298</u>	<u>323,453</u>

(ii) Recognized deferred tax assets and liabilities

	Intra-group transactions	Exchange differences on translation of foreign financial statements	Loss carry forward	Others	Total
Deferred income tax assets:					
Balance at January 1, 2022	\$ 39,428	323,611	337,696	-	700,735
Recognized in profit or loss	(15,771)	-	(52,033)	-	(67,804)
Exchange differences on translation of foreign financial statements	<u>-</u>	<u>(97,156)</u>	<u>-</u>	<u>-</u>	<u>(97,156)</u>
Balance at December 31, 2022	<u>\$ 23,657</u>	<u>226,455</u>	<u>285,663</u>	<u>-</u>	<u>535,775</u>
Balance at January 1, 2021	\$ 61,681	277,881	242,431	5,697	587,690
Recognized in profit or loss	(22,253)	-	95,265	(5,697)	67,315
Exchange differences on translation of foreign financial statements	<u>-</u>	<u>45,730</u>	<u>-</u>	<u>-</u>	<u>45,730</u>
Balance at December 31, 2021	<u>\$ 39,428</u>	<u>323,611</u>	<u>337,696</u>	<u>-</u>	<u>700,735</u>

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D-LINK CORPORATION
Notes to the Financial Statements

	Investments under equity method	Others	Total
Deferred income tax liabilities:			
Balance at January 1, 2022	\$ 296,578	41,118	337,696
Recognized in profit or loss	<u>(53,510)</u>	<u>1,477</u>	<u>(52,033)</u>
Balance at December 31, 2022	<u>\$ 243,068</u>	<u>42,595</u>	<u>285,663</u>
Balance at January 1, 2021	\$ 242,431	25,465	267,896
Recognized in profit or loss	<u>54,147</u>	<u>15,653</u>	<u>69,800</u>
Balance at December 31, 2021	<u>\$ 296,578</u>	<u>41,118</u>	<u>337,696</u>

In accordance with the ROC Tax laws, the operating loss carry forward assessed by the tax authorities are deductible from taxable income for a ten-year period. As of December 31, 2022, the Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Years of loss	Unused amount	Year of expiry
2017	\$ 1,486,983	2027
2019	162,350	2029
2020	620,355	2030
2021	<u>258,641</u>	2031
	<u>\$ 2,528,329</u>	

The Company's income tax return had been examined by the tax authorities through 2020.

- (p) Share capital and other equity
 - (i) Common stock

As of December 31, 2022 and 2021, 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, 2022 and 2021, all the paid-in capital consisted 599,837 thousand shares, with a par value of \$10 per share, amounting to \$5,998,365 thousand.

For the purpose of optimizing the return on equity and capital structure, the Company reduced its capital by returning the amount of \$521,596 thousand, at a capital reduction rate of 8% common shares, to its shareholders, based on a resolution approved during its board meeting held on March 17, 2021.

This capital reduction was approved by the shareholders' meeting on July 5, 2021, and had the effective registration by the competent Authority. The record date of the capital reduction is on September 1, 2021, and all relevant change registrations of the capital reduction was finished on October 5, 2021.

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Notes to the Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Common stock in excess of par value	\$ 1,037,080	1,217,030
Treasury share transactions	39,310	39,310
Expiry of share-based payment transactions	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<u><u>\$ 1,342,623</u></u>	<u><u>1,522,573</u></u>

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

On March 29, 2022, the Company's Board of Directors decided to distribute the cash dividends by using the capital surplus of \$0.3 per share, with the ex-dividend base date and cash payment date set on August 2, 2022 and August 31, 2022, respectively.

(iii) Retained earnings

1) Legal reserve

According to the ROC Company Act No. 237, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of authorized common stock.

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on 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

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earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

3) Earning distribution

In accordance with the Company's articles of incorporation, if there are earnings at year-end, 10 percent should be set aside as legal reserve 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. 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.

The Company's appropriation of earnings for 2021 has no earnings to distribute after earnings being retained as legal reserve and special earnings. The appropriation of earnings for 2021 was approved by the shareholders' meeting on May 27, 2022.

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

4) Dividend policy

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

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (1,863,596)	(2,439)
The Company	493,832	-
Associates	10,500	(25,488)
Associates-liquidation	-	(16,266)
Balance at December 31, 2022	<u>\$ (1,359,264)</u>	<u>(44,193)</u>

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Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	\$ (1,520,585)	(88,606)
The Company	(343,882)	49,816
Associates	871	(9,248)
The Company-disposal	-	54,847
Subsidiaries-disposal	-	(9,248)
Balance at December 31, 2021	<u>\$ (1,863,596)</u>	<u>(2,439)</u>

(q) Earnings per share

The calculations of earnings per share of the Company were as follows:

(i) Basic earnings per share

	2022	2021
Profit of the Company for the year	<u>\$ 109,233</u>	<u>239,197</u>
Outstanding ordinary shares	<u>599,837</u>	<u>634,610</u>
Basic earnings per share (dollar)	<u>\$ 0.18</u>	<u>0.38</u>

(ii) Diluted earnings per share

	2022	2021
Profit attributable to owners of ordinary shares (diluted)	<u>\$ 109,233</u>	<u>239,197</u>
Weighted-average number of ordinary shares outstanding (basic)	\$ 599,837	634,610
Employee's compensation has not been resolved by the shareholders' meeting	<u>677</u>	<u>1,071</u>
Weighted average number of ordinary shares (diluted)	<u>600,514</u>	<u>635,681</u>
Diluted earnings per share (dollar)	<u>\$ 0.18</u>	<u>0.38</u>

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

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Notes to the Financial Statements

(r) Revenue from contracts with customers

(i) The Company revenue from contract revenue

Major product / service lines	2022	2021
Network communication products	\$ 6,937,651	786,679
Services	<u>303,178</u>	<u>605,896</u>
	<u>\$ 7,240,829</u>	<u>1,392,575</u>
Primary geographical markets	2022	2021
Asia and others	\$ 4,899,634	1,392,575
Europe	1,547,964	-
America	<u>793,231</u>	<u>-</u>
	<u>\$ 7,240,829</u>	<u>1,392,575</u>

In 2021, the Company's revenue from customer contracts mainly consisted of sales of network communication products in Taiwan, as well as royalties and service income received from the purchase and sales of products by overseas subsidiaries. In 2022, the Company adjusted its transaction model based on the overall management plan of the Group, wherein it would purchase from various suppliers and then sell to overseas subsidiaries.

(ii) Contract liabilities

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

	December 31, 2022	December 31, 2021
Contract Liabilities — current (sales)	<u>\$ 34,853</u>	<u>23,819</u>

2) The Company recognized \$21,506 thousand and \$6,692 thousand in sales from the beginning balance of contract liabilities for the year ended December 31, 2022 and 2021, respectively.

(s) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then a minimum of 1% to a maximum of 15% will be distributed as employee remuneration, and a maximum of 1% will be allocated as directors' remuneration. The earnings shall be considered as the annual income before tax and remuneration to employees, directors and supervisors. The resolution for earnings distribution shall be decided by two-third of the voting rights exercised by the directors present at the board of directors' meeting who represent a majority of the directors. Employees who are entitled to receive the above mentioned employees remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

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In 2022 and 2021, the Company estimated its employees' remuneration amounted to \$7,372 thousand, and \$12,621 thousand, respectively, and Directors' remuneration amounted to \$737 thousand and \$1,262 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles of incorporation. These remunerations were expensed under operating expenses during 2022 and 2021.

There was no difference between the Company's estimated and the actual distribution amount in 2021. Related information would be available at the Market Observation Post System website.

(t) Other income and losses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ 2,402	3,508
Interest income from others	<u>184</u>	<u>41</u>
Total Interest income	<u>\$ 2,586</u>	<u>3,549</u>

(ii) Other income

	2022	2021
Rental income	\$ 5,058	2,398
Others	<u>4,364</u>	<u>2,721</u>
Total	<u>\$ 9,422</u>	<u>5,119</u>

(iii) Other gains and losses

	2022	2021
Gain on disposal of property, plant and equipment	\$ 4	5
Foreign currency exchange gains	4,944	14,520
Valuation gains (losses) from financial assets and liabilities	15,964	(30,439)
Others	<u>(2,783)</u>	<u>-</u>
Total	<u>\$ 18,129</u>	<u>(15,914)</u>

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Notes to the Financial Statements

(iv) Financial costs

	2022	2021
Interest expense	\$ (4,367)	(5,507)
Other financial costs		
Lease liability interests	<u>(111)</u>	<u>(201)</u>
	<u>(111)</u>	<u>(201)</u>
Net financial costs	<u><u>\$ (4,478)</u></u>	<u><u>(5,708)</u></u>

(u) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2022 and 2021 were summarized as follow:

	2022	2021
Exchange differences on translation of foreign financial statements		
Change in foreign currency exchange from the Company	\$ <u>590,988</u>	<u>(389,612)</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u><u>\$ 590,988</u></u>	<u><u>(389,612)</u></u>
Share of other comprehensive income accounted for using equity method		
Change in foreign currency exchange from associates	\$ <u>10,500</u>	<u>871</u>
Share of other comprehensive income from associates	<u><u>\$ 10,500</u></u>	<u><u>871</u></u>

(v) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 614,229	151,391
Financial assets at fair value through profit or loss — current	14,758	-
Notes receivable, accounts receivable and other accounts receivable (including related parties)	1,704,519	470,030
Refundable deposits	<u>19,900</u>	<u>4,542</u>
	<u><u>\$ 2,353,406</u></u>	<u><u>625,963</u></u>

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2) Financial liabilities

	December 31, 2022	December 31, 2021
Short-term loans	\$ 421,749	746,903
Long-term loans	752,346	-
Financial liabilities at fair value through profit or loss — current	8,597	9,803
Notes payable, accounts payable and other payables (including related parties)	1,871,769	327,386
Guarantee deposit received	3,074	3,074
Lease liability (current and non-current)	4,425	11,879
	\$ 3,061,960	1,099,045

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$2,353,406 thousand, and \$625,963 thousand, respectively.

(iii) Liquidity risk

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

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2022							
Non-derivative financial liabilities							
Other long-term and short-term loans	\$ 1,174,095	1,176,174	1,067	422,761	-	752,346	-
Notes payable	2,056	2,056	2,056	-	-	-	-
Accounts payable	1,057,913	1,057,913	1,057,913	-	-	-	-
Accounts payable to related parties	603,049	603,049	603,049	-	-	-	-
Other payables	208,751	208,751	208,751	-	-	-	-
Lease liability	4,425	4,510	1,029	988	2,493	-	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Cross currency swaps	177	177	177	-	-	-	-
Forward foreign exchange contracts	8,420	8,420	8,420	-	-	-	-
	\$ 3,061,960	3,064,124	1,885,536	423,749	2,493	752,346	-

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	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2021							
Non-derivative financial liabilities							
Other short-term loans	\$ 746,903	752,132	2,690	749,442	-	-	-
Notes payable	11	11	11	-	-	-	-
Accounts payable	131,025	131,025	131,025	-	-	-	-
Accounts payable to related parties	9,282	9,282	9,282	-	-	-	-
Other payables	187,068	187,068	187,068	-	-	-	-
Lease liability	11,879	12,192	2,101	2,101	3,757	4,233	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Cross currency swaps	9,803	9,803	9,803	-	-	-	-
	<u>\$ 1,099,045</u>	<u>1,104,587</u>	<u>345,054</u>	<u>751,543</u>	<u>3,757</u>	<u>4,233</u>	<u>-</u>

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

(iv) Currency risk

1) The Company's significant exposures to foreign currency risk were as follows:

	2022			2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets :						
Monetary items:						
USD	\$ 41,487	30.71	<u>\$ 1,273,974</u>	5,562	27.69	<u>154,001</u>
Derivative financial instruments:						
EUR	\$ 52	30.71	1,598	-	-	-
JPY	55,377	0.23	12,975	-	-	-
CAD	8	22.68	185	-	-	-
			<u>\$ 14,758</u>			<u>-</u>
Investment accounted for using equity method:						
USD	\$ 238,864	30.71	7,335,056	239,242	27.69	6,624,612
CAD	7,037	22.68	159,585	12,851	21.74	279,408
AUD	7,893	20.93	165,200	7,460	20.08	149,831
MXN	2,178	1.58	3,444	10,799	1.35	14,527
JPY	2,635,526	0.23	617,517	2,568,276	0.24	618,180
CLP	217,279	0.04	7,763	294,227	0.03	9,582
			<u>\$ 8,288,565</u>			<u>7,696,140</u>

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D-LINK CORPORATION
Notes to the Financial Statements

	2022			2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities:						
Monetary items:						
USD	\$ 78,199	30.71	2,401,337	4,363	27.69	120,803
EUR	-	-	-	10,051	31.36	313,254
JPY	1,863,888	0.23	<u>436,718</u>	1,802,553	0.24	<u>433,872</u>
			<u>\$ 2,838,055</u>			<u>867,929</u>
Derivative financial instruments:						
USD	\$ 126	30.71	3,876	10	27.69	270
JPY	19,859	0.23	4,653	29,626	0.24	7,131
EUR	-	-	-	77	31.36	2,402
CAD	3	22.68	<u>68</u>	-	-	<u>-</u>
			<u>\$ 8,597</u>			<u>9,803</u>
Credit balance of equity investment:						
USD	\$ 20,435	30.71	627,565	22,915	27.69	634,518
BRL	30,490	5.89	<u>179,589</u>	23,777	4.96	<u>117,935</u>
			<u>\$ 807,154</u>			<u>752,453</u>

Note: The amounts were calculated by the net value of investees timing comprehensive shareholding ratio, except investing premium or discount and recognition of intra-group transaction.

Because the Company has various functional currencies, information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities is aggregately disclosed. The total foreign exchange gains and losses, including realized and unrealized, were gains \$4,944 thousand and \$14,520 thousand for the years ended December 31, 2022 and 2021, respectively.

2) Sensitivity analysis

The 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 receivables, other receivables, loans, account payables, and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency as of December 31, 2022 and 2021 would have increased or decreased the net income after tax by \$71,082 thousand and \$74,639 thousand, respectively, assuming all other variables were held constanting.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management for the risk of interest rate exposure of the Company's financial assets and liabilities.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on 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 the Company management's assessment of the reasonably possible interest rate change.

(vi) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

December 31, 2022				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Derivative instruments				
Assets:				
Financial assets at fair value through profit or loss — current	\$ 14,758	-	14,758	-
Liabilities:				
Financial liabilities at fair value through profit or loss — current	8,597	-	8,597	-
December 31, 2021				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Derivative instruments				
Liabilities:				
Financial liabilities at fair value through profit or loss — current	\$ 9,803	-	9,803	-

2) Valuation techniques

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

3) Transfer from Level 1 to Level 2

As of December 31, 2022 and 2021, there were no transfers between level 1 and level 2 of the fair value hierarchy.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(vii) Assets and liabilities not measured at fair value

1) Information of fair value

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

	December 31, 2022		December 31, 2021	
	Book value	Fair value	Book value	Fair value
Non-financial assets:				
Investment property	\$ <u>38,480</u>	<u>73,181</u>	<u>38,876</u>	<u>51,328</u>

Assets and liabilities	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 73,181	-	-	73,181

Assets and liabilities	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 51,328	-	-	51,328

2) Valuation techniques

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

- a) The carrying amounts of cash and cash equivalents and other financial instruments are approximate their fair value due to their short maturities.
- b) The fair value of investment property is based on the comparable deal information with similar location.

(w) Financial risk management

(i) Overview

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(ii) Structure of risk management

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

The Company use internal control systems, risk management procedures, and regulations of risk management as the basis of various business risk management standards. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and to be adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The 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 Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and Audit Committee.

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Company arises from the operations and financial conditions of each customer and the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate. However, the Company operates worldwide, and thus, risk is diversified. As of December 31, 2022 and 2021, revenue from each foreign customer does not exceed 5% of the Company's revenue and therefore, there is no concentration of credit risk.

The 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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

Allowance for bad debt is set based on the lifetime expected credit loss of each customer. In order to mitigate the risk of default, the 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 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 expected credit loss and historical collection record of similar financial assets or the possibility of breaching the contracts.

2) Investment on securities and derivative financial instruments

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

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2022 and 2021, the Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. the Company's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. the 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 Company has unused short term bank facilities for \$3,236,868 thousand as of December 31, 2022.

(v) 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 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.

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D-LINK CORPORATION
Notes to the Financial Statements

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

1) Currency risk

The 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 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, and other currencies.

At any point in time, the Company hedges its currency risk based on its actual and forecast sales over the following six months. the Company also uses nature hedges on assets and liabilities denominated in foreign currencies and maintained the hedge ratio at 50% and above. the 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 Company are denominated in its functional currencies and are incorporated in net exposure on loan requirement denominated in foreign currencies as mentioned above to ensure the net exposure is maintained at acceptable level.

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

2) Interest rate risk

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

(x) Capital management

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

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D-LINK CORPORATION
Notes to the Financial Statements

Debt-to-equity ratio:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,558,939	2,486,326
Less: cash and cash equivalents	<u>(614,229)</u>	<u>(151,391)</u>
Net debt	<u>\$ 3,944,710</u>	<u>2,334,935</u>
Total equity	<u>\$ 8,909,672</u>	<u>8,477,358</u>
Debt-to-equity ratio	<u>44.27%</u>	<u>27.54%</u>

As of December 31, 2022, the methods of the Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 2022 and 2021 were as follows:

(i) Requirement of right-to-use assets through lease agreement, please refer to note 6(k).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	Non-cash changes					December 31, 2022
	January 1, 2022	Cash flows	Exchange	Fair value changes	Others	
Other short-term loans	\$ 746,903	(325,154)	-	-	-	421,749
Other long-term loans	-	752,346	-	-	-	752,346
Lease liabilities	11,879	(2,752)	-	-	(4,702)	4,425
Guarantee desposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 761,856</u>	<u>424,440</u>	<u>-</u>	<u>-</u>	<u>(4,702)</u>	<u>1,181,594</u>

	Non-cash changes					December 31, 2021
	January 1, 2021	Cash flows	Exchange	Fair value changes	Others	
Other short-term loans	\$ 845,263	(98,360)	-	-	-	746,903
Lease liabilities	12,247	(3,582)	-	-	3,214	11,879
Guarantee desposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 860,584</u>	<u>(101,942)</u>	<u>-</u>	<u>-</u>	<u>3,214</u>	<u>761,856</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(7) Related-party transactions:

- (a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
D-Link Holding Company Ltd. (D-Link Holding)	A subsidiary
D-Link Canada Inc. (D-Link Canada)	A subsidiary
D-Link Japan K.K. (D-Link Japan)	A subsidiary
D-Link Investment Pte.Ltd. (D-Link Investment)	A subsidiary
D-Link Sudamerica S.A. (D-Link Sudamerica)	A subsidiary
D-Link Brazil LTDA (D-Link Brazil)	A subsidiary
D-Link Latin America Company Ltd.(D-Link L.A.)	A subsidiary
D-Link Mexicana S.A de C.V (D-Link Mexicana)	A subsidiary
D-Link Systems, Inc. (D-Link Systems)	A subsidiary
D-Link International Pte. Ltd. (D-Link International)	A subsidiary
D-Link Australia Pty Ltd. (D-Link Australia)	A subsidiary
D-Link Middle East FZCO (D-Link ME)	A subsidiary
D-Link Korea Limited (D-Link Korea)	A subsidiary
D-Link Trade M (D-Link Moldova)	A subsidiary
D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	A subsidiary
D-Link Malaysia SDN. BHD (D-Link Malaysia)	A subsidiary
D-Link Service Lithuania, UAB (D-Link Lithuania)	A subsidiary
Yeochia Investment Co., Ltd.	An associate (Carried out liquidation was completed July, 2022)
Yeomao Investment Co., Ltd.	An associate (Carried out liquidation was completed October 1, 2022)
Yeotai Investment Co., Ltd.	A subsidiary
D-Link (Europe) Ltd. (D-Link Europe)	A subsidiary
D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	A subsidiary
D-Link Holding Mauritius Inc. (D-Link Mauritius)	A subsidiary
OOO D-Link Russia (D-Link Russia)	A subsidiary
OOO D-Link Trade (D-Link Trade)	A subsidiary
Success Stone Overseas Corp. (Success Stone)	A subsidiary

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D-LINK CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Wishfi Pte. Ltd. (Wishfi)	A subsidiary (Logout was completed in January 2022)
D-Link India Ltd. (D-Link India)	A subsidiary
TeamF1 Networks Private Limited (TeamF1 India)	A subsidiary
D-Link (Holdings) Ltd. and the subsidiary D-Link (UK) Ltd. (D-Link UK)	A subsidiary
D-Link France SARL (D-Link France)	A subsidiary
D-Link AB	A subsidiary
D-Link Iberia SL (D-Link Iberia)	A subsidiary
D-Link Mediterraneo SRL (D-Link Mediterraneo)	A subsidiary
D-Link (Netherlands) BV (D-Link Netherlands)	A subsidiary
D-Link (Deutschland) GmbH (D-Link Deutschland)	A subsidiary
D-Link Polska Sp. Z.o.o. (D-Link Polska)	A subsidiary
D-Link (Magyarország) kft (D-Link Magyarország)	A subsidiary
D-Link s.r.o	A subsidiary
D-Link Adria d.o.o	A subsidiary
D-Link Shiang-Hai Co., Ltd.	A subsidiary
Netpro Trading (Shiang-Hai) Co., Ltd.	A subsidiary
D-Link Peru S.A.	A subsidiary
D-Link de Colombia S.A.S	A subsidiary
D-Link Guatemala S.A.	A subsidiary
D-Link Argentina S.A.	A subsidiary
Cameo Communication, Inc.	An associate (Due to increasing shareholding in February 2021, the Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)
Amigo Technology Inc.	Other related parties
Amit Wireless Inc.	Other related parties
Sapido Technology Inc.	Other related parties
E-Sheng steel Co. Ltd	Other related parties

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(b) Significant related party transactions

The Company's significant sales to related parties were as follows:

(i) Sales revenue

	2022	2021
Subsidiaries	\$ 6,299,187	146,077
Associates-Cameo	50	191
Associates-others	1,617	-
	<u>\$ 6,300,854</u>	<u>146,268</u>

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

(ii) Service revenue

	2022	2021
Subsidiaries:		
D-Link International	\$ 78,219	527,142
Others	109,697	42,262
Associates:		
Others	2,730	-
	<u>\$ 190,646</u>	<u>569,404</u>

(iii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2022	2021
Subsidiaries:	\$ 83,019	2,045
Associate:		
Cameo	1,434,699	14,796
Other related-parties:		
Amigo	706,972	10,124
Amit	6,700	-
	<u>\$ 2,231,390</u>	<u>26,965</u>

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.

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D-LINK CORPORATION
Notes to the Financial Statements

(iv) Accounts receivable due from related parties

The receivables to related parties were as follows:

Account	Related party categories	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiaries—D-Link International	\$ 82,248	52,526
Accounts receivable	Subsidiaries—D-Link Systems	240,255	-
Accounts receivable	Associates—D-Link Europe	280,006	7,960
Accounts receivable	Subsidiaries—D-Link ME	382,258	1,554
Accounts receivable	Subsidiaries—D-Link Japan	143,758	-
Accounts receivable	Subsidiaries—D-Link India	225,073	15,576
Accounts receivable	Subsidiaries—Others	151,575	3,153
Accounts receivable	Associates—Cameo	-	86
Accounts receivable	Other related parties—Sapido	10	-
Other receivables	Subsidiaries—D-Link International	976	7,793
Other receivables	Subsidiaries—Others	21,071	4,906
Other receivables	Associates—Cameo	73	-
Other receivables	Associates—Yeochia	-	71,169
Other receivables	Associates—Yeomao	-	143,616
Other receivables	Other related parties—Amit	-	5,573
		<u>\$ 1,527,303</u>	<u>313,912</u>

The Company's other receivables from its associates, Yeochia and Yeomao, were mainly due to the liquidation right arising from the liquidation Yeochia Investment and Yeomao Investment. They were liquidated in July 2022 and October 2022, respectively, and the benefits under other equity were transferred to retained earnings of \$16,266 thousand.

(v) Other current assets

The Company's pre payments to related parties were as follows:

Account	Related party categories	December 31, 2022	December 31, 2021
Other current assets	Associates—Cameo	<u>\$ 5,082</u>	<u>-</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(vi) Accounts payable to related parties were as follows :

The payables to related parties were as follows:

Account	Related party categories	December 31, 2022	December 31, 2021
Accounts payable	Subsidiaries – D-Link International	\$ 59	207
Accounts payable	Subsidiaries – others	1,559	-
Accounts payable	Associates – Cameo	453,134	3,635
Accounts payables	Other related-parties – Amigo	146,742	5,440
Accounts payable	Other related-parties – Amit	1,555	-
Other payables	Subsidiaries – others	3,276	6,656
Other payables	Associates – Cameo	3,326	4,762
Other payables	Other related parties – Sapido	2,100	-
Other payables	Other related parties – Amigo	12,235	-
Other payables	Other related parties – Amit	6,490	659
Temporary payments	Subsidiaries – Others	3,378	-
Contract liabilities	Subsidiaries – Others	<u>14,342</u>	<u>-</u>
		<u>\$ 648,196</u>	<u>21,359</u>

Other payables mainly consist of interest payments to subsidiaries and payments to related parties for after-sales maintenance of products and various services due to business transactions; other payables to associates include payables for equipment and others.

(vii) Services purchased from related parties

The services purchased from related parties were as follows:

	2022	2021
Subsidiaries – others	\$ 17,555	-
Associates – Cameo	847	12,085
Other related parties – Amigo	10,096	3,436
Other related-parties – Amit	<u>14,466</u>	<u>-</u>
	<u>\$ 42,964</u>	<u>15,521</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(viii) Property transaction

1) Property, plant and equipment, intangible assets acquired

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

	2022	2021
Associates:		
Cameo	7,510	3,436
Other related parties:		
Amigo	32,574	5,814
Amit	472	-
Sapido	<u>2,000</u>	<u>-</u>
	<u>\$ 42,556</u>	<u>9,250</u>

(ix) Other gains and losses

Account	Related party categories	2022	2021
Interest income	Other related parties – Amigo	-	41
Other gains and losses	Associates – Other	(2,167)	-
Other gains and losses	Other related parties – Amigo	<u>96</u>	<u>-</u>
		<u>\$ (2,071)</u>	<u>41</u>

Other gains and losses consist of interest income, gain on disposal of miscellaneous equipment and other losses arising from the liquidation of share of subsidiaries.

(x) Lease

The Company leased the office building to other related parties – Amigo and entered into a one-year lease agreement for \$3,663 thousand with reference to the office rental rate in the neighboring areas in October 2021. For the year ended December 31, 2022 and 2021, the Company recognized rent income of \$3,488 thousand and \$1,300 thousand, respectively.

The Company also leased the office building to Cameo and entered into a one year lease agreement for \$640 thousand in March 2022. For the year ended December 31, 2022, the Company recognized rent income of \$524 thousand.

The Company also leased out its office buildings to its subsidiaries at the amounts of \$24 thousand and \$72 thousand, resulting in the recognition of \$23 thousand and \$68 thousand as rental income for the years ended December 31, 2022 and 2021, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(xi) Borrowing from Related Parties

The borrowing from related parties were as follows:

	2022	2021
Subsidiaries – D-Link Japan	\$ 421,749	433,258
Subsidiaries – D-Link Europe	-	313,645
Subsidiaries – D-Link Russia investment	<u>752,346</u>	<u>-</u>
	<u>\$ 1,174,095</u>	<u>746,903</u>

The interest paid to the related parties amounted to \$2,626 thousand and \$5,437 thousand for the year 2022 and 2021, respectively. The amounts were calculated based on the the interest rate agreed between each related party and the Company. The interest-bearing borrowings provided by related parties were unsecured. In addition, the Company borrows short-term loan from D-Link Europe, with amounts ranging between \$0 thousand and \$315,881 thousand for the year 2022, and had been fully paid by the end of the year.

(xii) Guarantee

As of December 31, 2022 and 2021, the Company had provided a guarantee to its related-parties which borrowed from financial institutions with the credit limit as follow:

	2022	2021
Subsidiaries:		
D-Link Europe	\$ 122,473	116,864
D-Link Shiang-Hai	153,540	69,225
D-Link Trade	<u>-</u>	<u>13,845</u>
	<u>\$ 276,013</u>	<u>199,934</u>

As of December 31, 2022 and 2021, the Company had used its endorsement guarantees amounting to \$119,476 thousand and \$59,987 thousand respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 43,480	85,582
Post-employee benefits	<u>904</u>	<u>5,959</u>
	<u>\$ 44,384</u>	<u>91,541</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(8) Pledged assets:None

(9) Commitments and contingencies:

- (a) The Company's subsidiary, D-Link Brazil, had disputes regarding prior year's insufficient invoices attached to sales return with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.
- (b) The Company's subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (c) UNM RAINFOREST INNOVATIONS filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (d) Israel Consumers Council filed a group lawsuit against the Company's subsidiary D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (e) In 2022, Atlas Global filed a lawsuit against the Company, alleging that some of D-Link's products have infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Company believes the litigation will not have any significant impact on its current operations.
- (f) TurboCode LLC filed a lawsuit against the Company in 2022, alleging that some of the D-Link's products infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Company believes the litigation will not have any significant impact on its current operations.
- (g) 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 disputes that are in the negotiation process, and therefore the amount of liabilities is unclear. The Company has accrued the possible expense.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(12) Other:

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

By item	By function	For the year ended December 31					
		2022			2021		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		2,481	546,370	548,851	2,822	707,457	710,279
Labor and health insurance		291	51,079	51,370	301	62,931	63,232
Pension		140	27,181	27,321	152	35,036	35,188
Remuneration of directors		-	5,257	5,257	-	5,524	5,524
Others		113	18,077	18,190	146	21,375	21,521
Depreciation		4	55,568	55,572	1	60,513	60,514
Amortization		-	28,670	28,670	-	40,760	40,760

the Company for the year ended December 31, 2022 and 2021 additional information for the number of employees and employee benefits were as follows:

	2022	2021
Number of employees	<u>513</u>	<u>674</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,274</u>	<u>\$ 1,243</u>
The average salaries and wages	<u>\$ 1,083</u>	<u>\$ 1,063</u>
The adjustment rate of average employee salaries	<u>1.88 %</u>	<u>(2.57)%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>\$ -</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

Directors: The remuneration to directors is determined by reference to their attributes, positions, as well as their industry levels, which shall be regularly revised by the "Directors and Functional Committee Members Remuneration Management Measure" in accordance with the Company's articles of incorporation. The above conditions are reviewed by the Remuneration Committee and approved by the Board of Directors thereafter.

Managers: For remuneration to new managers and managers whose annual salary have changed in the current year, the human resource department determined their remuneration by reference to the industry levels. The above conditions are reviewed by the Remuneration Committee and approved by the Board of Directors thereafter.

Employee: For employee remuneration, which is based on the reference to the annual external salary survey, employee salary level within the peer industry, taking into consideration the Company's operating status and budget planning, the Company determined their annual salary adjustments, annual bonus, promotion scheme, distribution of employee remuneration based on principles, long-term compensation scheme, etc., taking into account each employee's performance appraisal results, the Company's overall operating performance, as well as the need for sustainable development.

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following was the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral			Maximum limit of fund financing (Note)
													Item	Value	Individual funding loan limits (Note)	
1	D-Link International	D-Link Shiang-Hai	Other accounts receivable - related parties	Yes	317,459	317,459	317,459	3.80	2	-	Operating Capital	-	-	-	2,797,257	2,797,257
1	D-Link International	D-Link Shiang-Hai	Other accounts receivable - related parties	Yes	597,646	360,357	360,357	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,797,257	2,797,257
2	D-Link Russia Investment	D-Link Corporation	Other accounts receivable - related parties	Yes	752,346	752,346	752,346	-	2	-	Operating Capital	-	-	-	767,444	767,444
3	D-Link Japan K.K.	D-Link Corporation	Other accounts receivable - related parties	Yes	421,749	421,749	421,749	0.50	2	-	Operating Capital	-	-	-	617,517	617,517
4	D-Link (Deutschland) GmbH	D-Link Europe	Other accounts receivable - related parties	Yes	164,349	164,349	101,897	1.00	2	-	Operating Capital	-	-	-	200,050	200,050

Note 1: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.

2. For those companies with short-term financing needs, please fill in 2.

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

Note 3: Total amount of loans from D-Link Russia Investment to the Company shall not exceed 100% of the net worth of D-Link Russia Investment.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company shall not exceed 100% of the net worth of D-Link Japan K.K..

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

Note 6: Only disclose funding loan limits that are still valid until end the year of 2022.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprises during the period	Highest balance for guarantees and endorsements during the reporting date	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	1,999,455	122,473	122,473	62,324	-	1.37 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	153,540	153,540	57,152	-	1.72 %	5,998,365	Y	N	Y

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

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

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

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

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

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
D-Link Corporation	EHO0	None	Non current financial assets at fair value through profit or loss	749,663	-	4.11 %	-	
D-Link Corporation	EWAVE	None	Non current financial assets at fair value through profit or loss	83,334	-	1.89 %	-	
D-Link Corporation	TGC	None	Non current financial assets at fair value through profit or loss	500,000	-	1.84 %	-	
D-Link Corporation	YICHIA Information Corporation	None	Non current financial assets at fair value through profit or loss	73,500	-	6.68 %	-	
D-Link Corporation	UBICOM	None	Non current financial assets at fair value through profit or loss	926,814	-	3.05 %	-	
D-Link Corporation	Purple Comm. Inc.	None	Non current financial assets at fair value through profit or loss	3,385,417	-	14.10 %	-	
D-Link Corporation	Global Mobile Corp.	None	Non current financial assets at fair value through profit or loss	6,600,000	-	2.39 %	-	
D-Link Holding	Best 3C	None	Non current financial assets at fair value through profit or loss	600,000	-	1.88 %	-	
D-Link Holding	E2O	None	Non current financial assets at fair value through profit or loss	252,525	-	0.05 %	-	
YEOTAI	Stemcyte	None	Non current financial assets at fair value through other comprehensive income	18,950	215	0.01 %	215	
YEOTAI	Kaimei	None	Non current financial assets at fair value through other comprehensive income	231,342	12,377	0.21 %	12,377	
D-Link India	ICICI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	310,132	37,716	- %	37,716	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	258,923	34,297	- %	34,297	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	16,719	33,606	- %	33,606	
D-Link India	FATA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	25,004	32,126	- %	32,126	
D-Link India	SBI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	27,909	35,895	- %	35,895	
D-Link India	HDFC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	20,926	33,788	- %	33,788	
D-Link India	UTI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	27,993	37,690	- %	37,690	
D-Link India	AXIS MUTUAL FUND	None	Current financial assets at fair value through profit or loss	24,571	22,280	- %	22,280	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTS300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NTS300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTS300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balances	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sales and service revenue)	(920,101)	(13) %	60 days	-	-	82,248	5%	
D-Link Corporation	D-Link Systems	Subsidiary	(Sales and service revenue)	(540,088)	(8) %	75 days	-	-	240,255	14%	
D-Link Corporation	D-Link Canada	Subsidiary	(Sales and service revenue)	(158,061)	(2) %	60 days	-	-	43,643	3%	
D-Link Corporation	D-Link Europe	Subsidiary	(Sales and service revenue)	(1,547,963)	(22) %	60 days	-	-	280,006	17%	
D-Link Corporation	D-Link ME	Subsidiary	(Sales and service revenue)	(1,302,058)	(18) %	60 days	-	-	382,258	23%	
D-Link Corporation	D-Link Australia	Subsidiary	(Sales and service revenue)	(199,263)	(3) %	60 days	-	-	26,026	2%	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balances	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link Japan	Subsidiary	(Sales and service revenue)	(622,582)	(9) %	60 days	—	—	143,758	9%	
D-Link Corporation	D-Link India	Subsidiary	(Sales and service revenue)	(939,617)	(13) %	45 days	—	—	225,073	13%	
D-Link Corporation	D-Link Trade	Subsidiary	(Sales and service revenue)	(140,493)	(2) %	180 days	—	—	-	-%	
D-Link Corporation	Cameo	Cameo is an associate of the Company	Purchase	1,434,699	23 %	90 days	—	—	(453,134)	(27)%	
D-Link Corporation	AMIGO	Other related party	Purchase	706,972	11 %	90 days	—	—	(146,742)	(9)%	
D-Link International	D-Link Corporation	Parent company	Purchase	841,882	54 %	60 days	—	—	(82,248)	(61)%	
D-Link Systems	D-Link Corporation	Parent company	Purchase	560,936	90 %	75 days	—	—	(240,255)	(59)%	
D-Link Canada	D-Link Corporation	Parent company	Purchase	156,763	73 %	60 days	—	—	(43,643)	(67)%	
D-Link Europe	D-Link Corporation	Parent company	Purchase	1,540,225	82 %	60 days	—	—	(280,000)	(75)%	
D-Link ME	D-Link Corporation	Parent company	Purchase	1,301,467	42 %	60 days	—	—	(382,258)	(48)%	
D-Link Australia	D-Link Corporation	Parent company	Purchase	198,788	91 %	60 days	—	—	(26,026)	(94)%	
D-Link Japan	D-Link Corporation	Parent company	Purchase	597,478	85 %	60 days	—	—	(143,758)	(86)%	
D-Link India	D-Link Corporation	Parent company	Purchase	879,724	22 %	45 days	—	—	(225,073)	(36)%	
D-Link Trade	D-Link Corporation	Parent company	Purchase	140,405	9 %	180 days	—	—	-	-%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	Sales	(326,820)	(13) %	60 days	—	—	(1,362)	-%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	Sales	(246,990)	(10) %	60 days	—	—	203,906	15%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	Sales	(351,349)	(14) %	180 days	—	—	502,756	36%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	326,820	17 %	60 days	—	—	1,362	-%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	246,990	8 %	60 days	—	—	(203,906)	(26)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	351,349	23 %	180 days	—	—	(502,756)	(55)%	
D-link Shiang-Hai Inc.	D-link Trade	The ultimate parent company is D-Link Corporation	Sales	(886,577)	(87) %	150 days	—	—	397,466	96%	
D-Link Trade	D-link Shiang-Hai (Cayman) Inc.	The ultimate parent company is D-Link Corporation	Purchase	886,577	58 %	150 days	—	—	(397,466)	(43)%	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
D-Link Corporation	D-Link Systems	Subsidiary	240,255	4.67	-	-	69,360	-
D-Link Corporation	D-Link Europe	Subsidiary	280,006	10.70	-	-	98,535	-
D-Link Corporation	D-Link ME	Subsidiary	382,258	6.78	-	-	61,415	-
D-Link Corporation	D-Link Japan	Subsidiary	143,758	8.31	-	-	51,579	-
D-Link Corporation	D-Link India	Subsidiary	225,073	7.31	-	-	128,083	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	203,906	0.65	203,906	-	-	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	638,497	-	638,497	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	167,458	0.03	167,458	-	17,897	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	502,756	0.56	465,919	-	56,392	-
D-link Shiang-Hai Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	397,466	5.95	-	-	82,289	-

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

Note 2: The amount represents collections subsequent to December 31, 2022 up to February 10, 2023.

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
		Non-trading :			
D-Link Corporation	Cross currency swap	USD	USD 28,200	1,585	1,585
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	12,975	12,975
D-Link International	Cross currency swap	CNH	CNH 127,134	2,674	2,674
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR 1,400	13	13
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD 900	185	185
D-Link Corporation	Cross currency swap	EUR	EUR 2,400	(71)	(71)
D-Link International	Cross currency swap	EUR	EUR 800	(709)	(709)
D-Link Corporation	Cross currency swap	AUD	AUD 600	(56)	(56)
D-Link Corporation	Cross currency swap	CAD	CAD 500	(50)	(50)
D-Link International	Cross currency swap	CNH	CNH 41,664	(475)	(475)
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR 6,300	(3,105)	(3,105)
D-Link Corporation	Forward foreign exchange contract	AUD (Sell)	AUD 1,700	(644)	(644)
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD 1,000	(18)	(18)
D-Link International	Forward foreign exchange contract	IDR (Sell)	IDR 21,805,000	(19)	(19)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR 227,782	(56)	(56)
D-Link International	Forward foreign exchange contract	BRL (Sell)	BRL 26,625	(2,007)	(2,007)
D-Link International	Forward foreign exchange contract	CNH (Buy)	CNH 24,301	(297)	(297)
D-Link Corporation	Forward foreign exchange contract	JPY (Sell)	JPY 1,025,060	(4,653)	(4,653)
D-Link International	Forward foreign exchange contract	KRW (Sell)	KRW 4,420,970	(3,171)	(3,171)

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(b) Information on investees:

The following was the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note	
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,672,702	1,625,875	48,045,007	100.00 %	1,507,525	44,144	44,144	D-Link Corporation acquires 1.56% of D-LINK Systems from D-Link Holding in November 2022	
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	216,354	216,354	5,736,000	100.00 %	153,846	(133,045)	(133,045)		
D-Link Corporation	D-Link International	Singapore	Global marketing, procurement and after-sale service	1,941,986	1,941,986	66,074,660	99.36 %	2,478,811	(267,555)	(37,521)	100% shares owned by D-Link Corporation and D-Link Holding. Share of loss of investee includes the amounts of transactions between affiliated companies.	
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(627,565)	-	-		
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	9,134	(2,161)	(2,161)	100% shares owned by D-Link Corporation and D-Link Holding	
D-Link Corporation	D-Link Mexicanas	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	3,444	(12,785)	(12,785)	100% shares owned by D-Link Corporation and D-Link Sudamerica.	
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(179,589)	(38,146)	(38,943)	100% shares owned by D-Link Corporation and D-Link Holding	
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	-	5 %	83.33 %	1,033,412	148,303	148,303	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,764	16,744	1,000,000	100.00 %	156,385	8,931	8,931	The Company acquires 0.10% of D-LINK Australia from D-Link International in December 2022	
D-Link Corporation	D-Link Holding	B.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,664,029	182,310	62,373	Share of profit of investee includes the amounts of transactions between affiliated companies.	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,030	120,030	-	- %	120,050	10,169	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit of subsidiaries accounted for using equity method was recognized in D-Link Europe.	
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	626,409	15,302	15,302		
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	46,318	129,066	129,066		
D-Link Corporation	Yeochoia	Taiwan	Investment company	-	-	-	- %	-	-	-	Liquidation completed in July 2022	
D-Link Corporation	Yeomo	Taiwan	Investment company	-	-	-	- %	-	-	-	Liquidation completed in October 2022	
D-Link Corporation	Yeastai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	44,434	(1,916)	(1,916)		
D-Link Corporation	Cameo	Taiwan	Manufacturing and sell computer networks system equipment and its components and related technology research and development	1,102,479	1,102,479	137,532,993	41.58 %	1,416,631	94,973	18,203	Share of loss of investee includes the amounts of transactions between affiliated companies.	
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	-	100.00 %	48,141	129,252	129,252		
D-Link Trade	T.COM	Russia	Marketing and after sales service in Russia	12,485	12,485	-	- %	40.00 %	1,874	(4,293)	(8,468)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	-	22	-	- %	-	-	-	In December 2022, D-Link International transferred 0.1% of its shareholding in D-Link Australia to the Company.	
D-Link International	D-Link ME	UAE	Marketing and after sales service in Middle East and Africa	34,260	34,260	1	16.67 %	32,428	148,303	-	D-Link ME share's profit recognized in D-Link Corporation	
D-Link International	D-Link Korea	Korea	Marketing and after sales service in Korea	44,300	44,300	330,501	100.00 %	(39,744)	(6,351)	(6,351)		

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	-	100.00 %	(192)	6	6	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	767,444	(43,985)	(43,985)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,876	155	155	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service in Lithuania	3,574	3,574	1,000	100.00 %	4,617	556	556	
D-Link Holding	D-Link Europe	UK	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	970,342	(253,432)	(253,432)	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(15,047)	(267,555)	-	D-Link International share's loss recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	-	100.00 %	5,617	327	327	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	1,040,489	154,913	154,913	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(266,983)	281,526	281,526	
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after sales service	-	-	-	- %	-	-	-	Cancellation of registration in January, 2022
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	170,952	(484)	(484)	
D-Link Holding	MiaCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	-	-	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after sales service in Brazil	-	-	100	- %	-	(38,146)	-	D-Link Brazil share's loss recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after sales service in Chile	-	-	1	- %	-	(2,162)	-	D-Link Sudamerica share's loss recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after sales service in India	340,319	340,319	18,114,663	51.02 %	1,038,838	308,594	157,445	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	14	6,374	1	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamF1 India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	125,258	6,374	6,373	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A.	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	3	(1,380)	-	D-Link Peru S.A. share's loss recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Marketing and after sales service in Colombia	22,213	22,213	1,443,605	100.00 %	4,917	(139)	(139)	
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after sales service in Guatemala	410	410	99,000	99.00 %	562	-	-	In liquidation process.
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	8,449	(1,380)	(1,380)	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	- %	6	(12,784)	-	D-Link Mexicana share's loss recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after sales service in Argentina	2,750	2,750	100	100.00 %	73	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	-	100.00 %	200,050	10,169	10,169	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	16,394	1,008	1,008	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	65,371	4,532	4,532	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	27,150	749	749	
D-Link Europe	D-Link Holding Ltd	UK	Investment company	-	-	3	100.00 %	9,348	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	41,913	2,134	2,134	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	8,376	539	539	
D-Link Europe	D-Link Polska Sp Z.o.o.	Poland	Marketing and after sales service in Poland	1,210	1,210	100	100.00 %	23,570	1,113	1,113	
D-Link Europe	D-Link Magyarország	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	5,590	-59	-59	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	4,374	412	412	
D-Link Holdings Ltd	D-Link UK	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	9,348	-	-	
D-Link Mediterraneo SRL	D-Link ADRIA d.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	-	100.00 %	1,203	(7)	(7) in liquidation process	
Yaotai	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	38,110	38,110	1,832,446	41.18 %	1,792	(5,969)	(2,558)	

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

Note 2: Limited Company

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value Note 2	Accumulated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	598,806	(2)	598,806	-	-	598,806	280,732	100.00%	280,732	(279,321)	-
Netpro Trading	Research, development and trading business	21,496	(2)	20,037	-	-	20,037	794	100.00%	794	14,399	-
YouXiang	Technical Service and Import/Export trading business	62,610	(3)	-	-	-	-	502	9.86%	-	4,111	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Other

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 30.71, CNY 4.41 as of December 31, 2022.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
618,843	574,462	Note

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sapido Technology Inc.		59,818,400	9.97 %

(14) Segment information:

Please refer to Consolidated Financial Statements for the year ended December 31, 2022.

(Continued)

D-LINK CORPORATION
Statement of cash and cash equivalents
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and Foreign currency deposits	\$ 168
Bank deposits	Checking and Saving accounts	
	NTD	181,737
	USD : 6,972 (in thousands)	214,088
	Other foreign currency deposits	<u>218,236</u>
		<u>\$ 614,229</u>

Note 1: The exchange rate of USD to NTD as of December 31, 2022 is 30.708.

D-LINK CORPORATION

Statement of financial assets measured at fair value through profit or loss - current

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares of units (thousand)	Carrying Amount	Total	Interest Rate	Acquisition cost	Fair value		Fair value changes are attributable to the changes of credit risk	Note
							Unit price	Total amount		
Derivative financial assets :										
Cross currency swaps		-	\$ -	-	-	-	-	14,560	-	
Forward foreign exchange contracts		-	-	-	-	-	-	198	-	
			\$ -	-				<u>14,758</u>		

D-LINK CORPORATION
Statement of notes receivable
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Company A	\$ 1,032
Company B	460
Company C	507
Company D	378
Company E	714
Company F	2,205
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)	364
	\$ 5,660

Note: Notes and accounts receivable are all generated by business activities.

D-LINK CORPORATION
Statement of accounts receivables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Company G	\$ 26,071
Company H	24,834
Company I	14,175
Company J	17,964
Company K	10,474
Company L	9,118
Company M	15,783
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	49,636
	168,055
Less: Loss Provision	(1,109)
	\$ 166,946

Note: The accounts receivable from related parties are not included in the above payment. For details, please refer to Note 7 to the financial statements.

D-LINK CORPORATION
Statement of other receivables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Receivable amounts from advance payment of subsidiaries		\$ 22,047
Receivable amounts from advance payment of third parties		2,253
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)		2,430
		\$ 26,730

D-LINK CORPORATION

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realizable value</u>	
Finished goods	\$ 403,266	<u><u>395,937</u></u>	Market price is measured at net realizable value
Less: Allowance for inventory write downs and obsolescence	<u>(20,039)</u>		
	<u><u>\$ 383,227</u></u>		

D-LINK CORPORATION
Statement of other current assets
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Prepaid software fees	\$ 36,491
Advance payment	25,488
Prepaid warranty fees	4,416
Sales tax receivable	12,187
Input tax	15,024
Temporarily payment	1,939
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	<u>3,207</u>
	<u><u>\$ 98,752</u></u>

D-LINK CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Investments accounted for using equity method:	Names of investee		Increase (Decrease) (Note 1 and Note 2)		Net Income of investee		Unrealized gross differences on foreign financial statements		Exchange differences on foreign financial statements		Unrealized gross differences on foreign financial statements		Other Changes (Note 3)		Ending Balance		Percentage of ownership		Market Value or Shareholder Value (Note 7)		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
D-Link Systems	47,295	\$ 1,299,802	-	24,426	-	44,144	(30,887)	147,639	48,045	1,507,525	48,045	1,507,525	48,045	22,401	100.00 %	100.00 %	1,533,799	100.00 %	1,533,799	100.00 %	
D-Link Canada	5,736	279,408	-	750	-	(133,045)	(5,736)	13,222	5,736	151,846	5,736	151,846	(5,736)	100.00 %	100.00 %	159,885	100.00 %	159,885	100.00 %	2,797,257	99.36 %
D-Link International	66,075	2,205,874	-	-	(37,521)	(25,088)	335,546	1,702	66,075	2,478,811	66,075	2,478,811	1,702	100.00 %	100.00 %	2,480,513	100.00 %	2,480,513	100.00 %	3,444	83.33 %
D-Link America	10	1,676	-	-	(12,789)	1,702	1,702	1,702	152	3,444	152	3,444	-	100.00 %	100.00 %	3,444	100.00 %	3,444	100.00 %	1,075,788	100.00 %
D-Link Middle East (Note 6)	-	14,527	-	-	148,303	(8,002)	95,302	6,438	-	1,033,412	-	1,033,412	-	100.00 %	100.00 %	1,033,412	100.00 %	1,033,412	100.00 %	165,120	100.00 %
D-Link Australia	999	149,831	-	20	8,931	(8,835)	6,438	106,846	1,000	156,385	1,000	156,385	(22,401)	100.00 %	100.00 %	133,984	100.00 %	133,984	100.00 %	1,881,895	100.00 %
D-Link Holding	68,063	1,684,899	-	(106,141)	62,373	(61,683)	136	106,846	68,063	1,664,029	68,063	1,664,029	-	100.00 %	100.00 %	1,664,029	100.00 %	1,664,029	100.00 %	-	-
D-Link Deutschland (Note 5)	-	120,050	-	-	-	-	-	-	-	120,050	-	120,050	-	100.00 %	100.00 %	120,050	100.00 %	120,050	100.00 %	617,517	41.58 %
D-Link Japan	10	647,668	-	-	15,302	(20,595)	8,867	(15,966)	10	626,409	10	626,409	4,081	100.00 %	100.00 %	630,490	100.00 %	630,490	100.00 %	1,416,590	100.00 %
Camso	137,533	1,394,856	-	-	18,203	8,867	8,867	(9,376)	137,533	1,416,631	137,533	1,416,631	-	100.00 %	100.00 %	1,416,631	100.00 %	1,416,631	100.00 %	44,434	100.00 %
Yosai	14,600	62,598	-	-	(1,916)	-	(13,850)	-	14,600	44,434	14,600	44,434	-	100.00 %	100.00 %	44,434	100.00 %	44,434	100.00 %	46,318	100.00 %
D-Link Investment	2,200	68,898	-	(81,695)	128,066	(100,829)	28,000	68,898	2,200	92,602	2,200	92,602	4,081	100.00 %	100.00 %	96,683	100.00 %	96,683	100.00 %	-	-
Yosai	8,999	37,777	-	-	23,894	(100,829)	66,008	(25,489)	8,999	22,288	8,999	22,288	4,081	100.00 %	100.00 %	26,369	100.00 %	26,369	100.00 %	-	-
Camso	41	585,620	-	-	(38,943)	(61,945)	650	(15,966)	41	523,675	41	523,675	-	100.00 %	100.00 %	523,675	100.00 %	523,675	100.00 %	630,201	100.00 %
D-Link L	2,964,837	(117,935)	-	-	(38,943)	(550)	(22,655)	(22,655)	2,964,837	(179,589)	2,964,837	(179,589)	-	100.00 %	100.00 %	1,785,248	100.00 %	1,785,248	100.00 %	(79,533)	100.00 %
D-Link Brazil	-	(683,555)	-	-	-	(84,600)	(84,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		\$ 7,915,822		(81,695)		199,951	(160,885)	601,488		8,453,274		8,453,274		4,081							

Note 1: The increase in current period is due to the reorganization. The buyback of D-Link Systems' and D-Link Australia's shares from subsidiaries amounted to \$24,426 thousand and \$20 thousand, respectively.

Note 2: The decrease in current period is due to the reorganization of cash dividends using the equity method of \$106,141 thousand.

Note 3: The valuation of financial assets recognized by the investees were measured at fair value through other comprehensive income.

Note 4: The other changes were due to the reorganization. The buyback of D-Link Systems' shares from D-Link Holding resulted in a change in capital surplus of \$22,401 thousand and an increase in retained earnings of \$4,081 thousand from adjustments to investments accounted for using the equity method.

Note 5: The investment profit or loss based on investments accounted for using equity method is recognized in D-Link Holding.

Note 6: D-Link ME has under a thousand shares.

Note 7: The total amount of net value is calculated by stockholders equity audited by CPAs multiplied by its shareholding ratio.

Note 8: Each investment accounted for using equity method is neither guaranteed nor mortgaged.

D-LINK CORPORATION

**Statement of changes in property, plant and
equipment**

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2022	Increase	Decrease	Transfer	Balance as of December 31, 2022
Land	\$ 531,453	-	-	-	531,453
Buildings	548,803	919	-	-	549,722
Others	626,454	43,575	154,848	-	515,181
	\$ 1,706,710	44,494	154,848	-	1,596,356

**Statement of changes in accumulated depreciation of
property, plant and equipment**

Item	Balance as of January 1, 2022	Increase	Decrease	Transfer	Balance as of December 31, 2022	Note
Accumulated Depreciation :						
Buildings	\$ 430,564	5,115	-	-	435,679	Note1
Others	548,639	47,204	154,848	-	440,995	Note2
	\$ 979,203	52,319	154,848	-	876,674	

Note 1: Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives. Estimated useful lives : 5~46 years.

Note 2: Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives. Estimated useful lives : 2~9 years.

D-LINK CORPORATION

Statement of changes in right-of-use assets

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Buildings	<u>\$ 18,321</u>	<u>-</u>	<u>(8,209)</u>	<u>10,112</u>

**Statement of changes in accumulated depreciation of
right-of-use assets**

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Accumulated Depreciation :				
Buildings	<u>\$ 6,818</u>	<u>2,857</u>	<u>(3,634)</u>	<u>6,041</u>

D-LINK CORPORATION

Statement of changes in investment property

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Land	\$ 30,000	-	-	30,000
Buildings	22,196	-	-	22,196
	\$ 52,196	-	-	52,196

**Statement of changes in accumulated depreciation of
investment property**

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Buildings	\$ 12,320	396	-	12,716

Note: Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives. Estimated useful lives : 9~55 years.

**Statement of changes in accumulated impairment of
investment property**

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Buildings	\$ 1,000	-	-	1,000

D-LINK CORPORATION
Statement of changes in intangible assets
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Balance as of January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance as of December 31, 2022</u>	<u>Note</u>
Patents	\$ 15,028	-	-	(2,692)	12,336	Note 1
Computer software costs	19,139	1,071	-	(13,808)	6,402	Note 2
Other intangible assets	<u>11,295</u>	<u>42,263</u>	<u>(711)</u>	<u>(12,170)</u>	<u>40,677</u>	Note 2
Total	<u>\$ 45,462</u>	<u>43,334</u>	<u>(711)</u>	<u>(28,670)</u>	<u>59,415</u>	

Note 1: Patents are amortized from their acquisition and are recognized in profit or loss on a straight line basis over the estimated useful lives. The estimated useful lives of patents are 16 years.

Note 2: Amortization is calculated on the cost of the asset less its residual value and accumulated impairment, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 2~8 years.

D-LINK CORPORATION
Statement of other non-current assets
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Refundable deposits	\$ 19,900
Others	<u>15,084</u>
Total	<u><u>\$ 34,984</u></u>

D-LINK CORPORATION

Statement of short-term loans

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Type of loans</u>	<u>Ending Balance</u>	<u>Term of contract</u>	<u>Interest rate(%)</u>	<u>Financing limit</u>	<u>Mortgages or guarantees</u>
Loans from related parties	\$ <u>421,749</u>	112	0.5~1	-	None

Statement of long-term loans

<u>Type pf loans</u>	<u>Ending Balance</u>	<u>Term of contract</u>	<u>Interest rate(%)</u>	<u>Financing limit</u>	<u>Mortgages or guarantees</u>
Loans from related parties	\$ <u>752,346</u>	116	-	-	None

D-LINK CORPORATION

Statement of financial liabilities at fair value through profit or loss - current

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares	Carrying Amount	Total	Interest Rate	Unit Price	Fair Value		Fair value changes are attributable to the changes of credit risk
							Unit Price	Total	
Derivative financial liabilities									
Cross currency swaps		-	\$ -	-	-	-	-	177	-
Forward foreign exchange contracts		-	-	-	-	-	-	8,420	-
			\$ -	-				<u>8,597</u>	-

D-LINK CORPORATION
Statement of note and accounts payables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Suppliers name	Amount
Company a	\$ 110,727
Company b	121,031
Company c	276,484
Company d	255,997
Company e	126,806
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	168,924
	\$ 1,059,969

Note 1: Note payables and account payables are both generated from operating activities.

Note 2: Payables to related parties are not included in the payments above, please refer to Note 7 for further information.

D-LINK CORPORATION
Statement of other payables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Payables on salaries, bonuses, labor health insurances and pensions	\$ 98,302
Payables on research fees	14,034
Payables on equipment	23,571
Others (The amount of individual vendor included within“Others”does not exceed 30,000 thousand.)	72,844
	\$ 208,751

D-LINK CORPORATION
Statement of provisions - current
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Warranties	\$ 63,982
Litigations and royalties	<u>199,602</u>
	<u><u>\$ 263,584</u></u>

D-LINK CORPORATION
Statement of other current liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payables on income taxes	\$ 22,345
Payables in lieu of untaken annual leave	22,953
Temporary receipts	27,661
Others (The amount of individual item within“Others” does not exceed 5% of this account balance.)	<u>6,001</u>
	<u><u>\$ 78,960</u></u>

D-LINK CORPORATION

Statement of lease liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate%</u>	<u>Ending Balance</u>
Buildings	For office use	2~5 years	1.60~1.79	\$ 4,425
Less: classified as lease liabilities- current				<u>(1,956)</u>
Lease liabilities-non current				<u><u>\$ 2,469</u></u>

D-LINK CORPORATION
Statement of other non-current liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Investments accounted for using equity method-credit balance	\$ 807,154
Others	<u>3,074</u>
	<u><u>\$ 810,228</u></u>

D-LINK CORPORATION
Statement of operating revenue
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Quantities (per piece)	Amount
Sales Revenue:		
Network communication products	20,057,048	\$ 6,937,651
Service Revenue		303,178
		\$ 7,240,829

D-LINK CORPORATION
Statement of operating costs
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Beginning Inventories	\$ 110,634
Add : Purchases	6,370,743
Less: Ending Inventories	403,266
Transferring to expenses and others	12,311
Cost of goods sold	6,065,800
Warranty Costs	17,509
Losses related to inventories	12,921
Cost of network services	27,027
Others	4,351
	\$ 6,127,608

D-LINK CORPORATION
Statement of selling expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 289,722	
Royalty expenses		6,258	
Service expenses		7,371	
Depreciation and amortization		46,187	
Maintenance of software		2,209	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>52,680</u>	
		<u><u>\$ 404,427</u></u>	

D-LINK CORPORATION
Statement of administrative expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 118,250	
Service Expenses		86,315	
Depreciation and Amortization		13,410	
Royalty expenses		24,012	
Maintenance of software		17,261	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>40,736</u>	
		<u><u>\$ 299,984</u></u>	

D-LINK CORPORATION
Statement of research and development expense
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 234,735	
Outsourcing research expenses		43,945	
Depreciation and Amortization		24,641	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>30,669</u>	
		<u><u>\$ 333,990</u></u>	

D-LINK CORPORATION

Statement of finance costs

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		\$ 4,367	
Others		<u>111</u>	
		<u>\$ 4,478</u>	

D-LINK CORPORATION
Statement of other income and other gains and
losses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Other income:	
Rental income	\$ 5,058
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	4,364
	\$ 9,422
Other gains and losses:	
Foreign currency exchange gains	\$ 4,944
Valuation gains from financial assets and liabilities	15,964
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	(2,779)
	\$ 18,129



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