

D-LINK CORPORATION**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

The independent auditors' 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' report and parent company only financial statements, the Chinese version shall prevail.

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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 statement of financial position as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of D-LINK CORPORATION in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matters

We did not audit the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31,2020, and the financial statements of D-Link International Pte. Ltd as of and for the year ended December 31,2019. 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 report of other auditors. Investments accounted for using equity method of above subsidiaries reflect the total assets of \$1,383,283 thousand and \$1,556,378 thousand, constituting 12% and 13%, of the total assets at December 31, 2020 and 2019, respectively. Besides, the share of profit (loss) of associates accounted for using equity method of \$(108,998) thousand and \$(78,236) thousand, constituting (8)% and 15%, of the net profit (loss) before tax for the years ended December 31, 2020 and 2019, 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 method” 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 book value amounting to \$7,869,038 thousand as of December 31, 2020. Therefore, it has been identified as one of the key matters 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 about its accounts.

2. Revenue recognition

Please refer to Note 4(q) for accounting policy of revenue recognition and Note 6(s) 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 sale 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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's 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 Chou, Pao-Lian and Hsieh, Cho-Ha.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2021

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,777,351	15	493,602	4	2100	Short-term loans (notes 6(j) and 7)	\$ 845,263	7	1,438,269	12
1110	Financial assets at fair value through profit or loss — current (notes 6(b))	20,861	-	1,494	-	2120	Financial liabilities at fair value through profit or loss — current (notes 6(b) and (n))	224	-	73,148	1
1150	Notes receivable, net (note 6(c))	2,646	-	8,802	-	2130	Contract liabilities — current (note 6(s))	9,079	-	7,832	-
1170	Accounts receivable, net (note 6(c))	160,857	2	240,854	2	2150	Notes payable	11	-	256	-
1180	Accounts receivable due from related parties, net (note 7)	97,611	1	51,828	-	2170	Accounts payable	128,467	1	186,993	2
1200	Other receivables (notes 6(c) and 7)	26,642	-	43,600	-	2180	Accounts payable to related parties (note 7)	6,151	-	75,169	1
1220	Current tax assets	962	-	196	-	2200	Other payables (note 7)	405,257	3	376,389	3
130X	Inventories (note 6(d))	127,022	1	116,786	1	2250	Provisions — current (note 6(l))	202,212	2	150,862	1
1410	Other current assets	29,542	-	30,168	-	2280	Current lease liabilities (note 6(k))	3,017	-	4,021	-
		<u>2,243,494</u>	<u>19</u>	<u>987,330</u>	<u>7</u>	2365	Refund liability-current (note 6(m))	32,582	-	47,682	-
Non-current assets:						2300	Other current liabilities (note 6(n))	<u>98,901</u>	<u>1</u>	<u>357,577</u>	<u>3</u>
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(b))	364,655	3	166,183	2			<u>1,731,164</u>	<u>14</u>	<u>2,718,198</u>	<u>23</u>
1550	Investments accounted for using equity method (note 6(e) and 7)	7,869,038	66	9,535,414	79	Non-Current liabilities:					
1600	Property, plant and equipment (notes 6(g) and 7)	752,385	6	745,800	6	2570	Deferred tax liabilities (note 6(p))	267,896	2	152,434	1
1755	Right-of-use assets (note 6(f))	11,928	-	19,231	-	2580	Non-current lease liabilities (note 6(k))	9,230	-	15,355	-
1760	Investment property, net (note 6(h))	39,272	-	39,669	-	2600	Other non-current liabilities (notes 6(o) and 7)	<u>681,327</u>	<u>6</u>	<u>697,649</u>	<u>6</u>
1780	Intangible assets (note 6(i))	74,300	1	122,932	1			<u>958,453</u>	<u>8</u>	<u>865,438</u>	<u>7</u>
1840	Deferred tax assets (note 6(p))	587,690	5	435,438	5	Total liabilities		<u>2,689,617</u>	<u>22</u>	<u>3,583,636</u>	<u>30</u>
1900	Other non-current assets (note 8)	6,350	-	5,053	-	Equity: (note 6(q))					
		<u>9,705,618</u>	<u>81</u>	<u>11,069,720</u>	<u>93</u>	3100	Capital stock	<u>6,519,961</u>	<u>54</u>	<u>6,519,961</u>	<u>54</u>
						3200	Capital surplus	<u>1,523,313</u>	<u>13</u>	<u>1,598,807</u>	<u>13</u>
						Retained earnings:					
						3310	Legal reserve	2,053,379	17	2,053,379	17
						3320	Special reserve	205,562	2	205,562	2
						3350	Unappropriated retained earnings (Accumulated deficit)	<u>566,471</u>	<u>5</u>	<u>(499,008)</u>	<u>(4)</u>
								<u>2,825,412</u>	<u>24</u>	<u>1,759,933</u>	<u>15</u>
						3400	Other equity interest (note 6(q))	<u>(1,609,191)</u>	<u>(13)</u>	<u>(1,405,287)</u>	<u>(12)</u>
						Total equity		<u>9,259,495</u>	<u>78</u>	<u>8,473,414</u>	<u>70</u>
Total assets		<u>\$ 11,949,112</u>	<u>100</u>	<u>12,057,050</u>	<u>100</u>	Total liabilities and equity		<u>\$ 11,949,112</u>	<u>100</u>	<u>12,057,050</u>	<u>100</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 Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Net operating revenues (notes 6(s) and 7)	\$ 1,508,054	100	1,701,547	100
5000 Operating costs (notes 6(d) and 7)	<u>639,186</u>	<u>42</u>	<u>798,648</u>	<u>47</u>
Gross profit from operations	<u>868,868</u>	<u>58</u>	<u>902,899</u>	<u>53</u>
Operating expenses: (notes 6(c), (g), (h), (i), (k), (o) and (t))				
6100 Selling expenses	373,786	25	369,557	22
6200 Administrative expenses	316,865	21	258,449	15
6300 Research and development expenses	806,888	54	701,083	41
6450 Expected credit loss (reversal gain) (note 6(c))	<u>(647)</u>	<u>-</u>	<u>1,056</u>	<u>-</u>
	<u>1,496,892</u>	<u>100</u>	<u>1,330,145</u>	<u>78</u>
Net operating loss	<u>(628,024)</u>	<u>(42)</u>	<u>(427,246)</u>	<u>(25)</u>
Non-operating income and expenses:				
7100 Interest (note 6(u))	1,209	-	279	-
7010 Other income (notes 6(u) and 7)	9,394	1	16,438	-
7020 Other gains and losses (note 6(b), (n), (u) and 7)	1,223,881	81	(13,239)	-
7050 Finance costs (notes 6(k), (n), (u) and 7)	(8,898)	(1)	(11,892)	-
7060 Share of profit (loss) of associates accounted for using equity method (note 6(e))	<u>717,221</u>	<u>48</u>	<u>(77,895)</u>	<u>(5)</u>
Total non-operating income and expenses	<u>1,942,807</u>	<u>129</u>	<u>(86,309)</u>	<u>(5)</u>
Profit (loss) before tax	1,314,783	87	(513,555)	(30)
7950 Less: Income tax expenses (benefit) (note 6(p))	<u>74,858</u>	<u>5</u>	<u>(5,228)</u>	<u>-</u>
Net profit (loss)	<u>1,239,925</u>	<u>82</u>	<u>(508,327)</u>	<u>(30)</u>
8300 Other comprehensive income (loss):				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Gains on remeasurements of defined benefit plans (note 6(o))	4,534	-	5,070	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	18,150	1	(13,544)	-
8330 Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	58,273	4	4,258	-
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>80,957</u>	<u>5</u>	<u>(4,216)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(q) and (v))				
8361 Exchange differences on translation of foreign financial statements	(403,962)	(27)	(66,626)	(4)
8380 Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method, components of other comprehensive income (loss) that will be reclassified to profit or loss	55,373	4	(10,826)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	<u>(68,189)</u>	<u>(5)</u>	<u>(4,016)</u>	<u>-</u>
	<u>(280,400)</u>	<u>(18)</u>	<u>(73,436)</u>	<u>(5)</u>
8300 Other comprehensive loss, net	<u>(199,443)</u>	<u>(13)</u>	<u>(77,652)</u>	<u>(5)</u>
Total comprehensive income(loss)	<u>\$ 1,040,482</u>	<u>69</u>	<u>(585,979)</u>	<u>(35)</u>
Basic earnings per share (New Taiwan dollars) (note 6(r))	<u>\$ 1.90</u>		<u>(0.78)</u>	
Diluted earnings per share (New Taiwan dollars) (note 6(r))	<u>\$ 1.90</u>		<u>(0.78)</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, 2020 and 2019****(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 (Accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others	
Balance at January 1, 2019	\$ 6,519,961	1,669,905	2,107,941	-	216,200	(1,151,611)	(147,771)	(15,138)	9,199,487
Effects of retrospective application (accounted for using equity method)	-	-	-	-	(3,796)	-	-	-	(3,796)
Equity at beginning of period after adjustments	<u>6,519,961</u>	<u>1,669,905</u>	<u>2,107,941</u>	<u>-</u>	<u>212,404</u>	<u>(1,151,611)</u>	<u>(147,771)</u>	<u>(15,138)</u>	<u>9,195,691</u>
Net loss	-	-	-	-	(508,327)	-	-	-	(508,327)
Other comprehensive income (loss)	-	-	-	-	1,205	(85,090)	(5,421)	11,654	(77,652)
Total comprehensive income (loss)	-	-	-	-	(507,122)	(85,090)	(5,421)	11,654	(585,979)
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	10,638	-	(10,638)	-	-	-	-
Special reserve	-	-	-	205,562	(205,562)	-	-	-	-
Other changes in capital surplus:									
Changes in equity of associates accounted for using equity method	-	(5,898)	-	-	-	-	-	-	(5,898)
Cash dividends from legal reserve	-	-	(65,200)	-	-	-	-	-	(65,200)
Cash dividends from capital surplus	-	(65,200)	-	-	-	-	-	-	(65,200)
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	11,910	-	(11,910)	-	-
Balance at December 31, 2019	<u>6,519,961</u>	<u>1,598,807</u>	<u>2,053,379</u>	<u>205,562</u>	<u>(499,008)</u>	<u>(1,236,701)</u>	<u>(165,102)</u>	<u>(3,484)</u>	<u>8,473,414</u>
Net profit	-	-	-	-	1,239,925	-	-	-	1,239,925
Other comprehensive income (loss)	-	-	-	-	4,534	(283,884)	76,423	3,484	(199,443)
Total comprehensive income (loss)	-	-	-	-	1,244,459	(283,884)	76,423	3,484	1,040,482
Other changes in capital surplus:									
Changes in equity of associates accounted for using equity method	-	(75,494)	-	-	(178,907)	-	-	-	(254,401)
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	(73)	-	73	-	-
Balance at December 31, 2020	<u>\$ 6,519,961</u>	<u>1,523,313</u>	<u>2,053,379</u>	<u>205,562</u>	<u>566,471</u>	<u>(1,520,585)</u>	<u>(88,606)</u>	<u>-</u>	<u>9,259,495</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 Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 1,314,783	(513,555)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	60,434	63,912
Amortization expense	51,481	51,133
(Reversal gain) expected credit loss	(647)	1,052
Net loss on financial assets or liabilities at fair value through profit or loss	8,056	77,932
Interest expense	8,898	11,892
Interest income	(1,209)	(279)
Share of (profit) loss of subsidiaries and associates accounted for using equity method	(717,221)	77,895
Gain on disposal of property, plant and equipment	(306)	(191)
Gain on disposal of investments	(1,250,434)	(29,558)
Other	51,984	11,182
Total adjustments to reconcile profit (loss)	<u>(1,788,964)</u>	<u>264,970</u>
Changes in operating assets and liabilities:		
Decrease in notes receivable	6,156	20,739
Decrease (increase) in accounts receivable	80,644	(84,944)
(Increase) decrease in accounts receivable due from related parties	(45,783)	604
Decrease in other receivable	16,958	982,360
Decrease (increase) in inventories	275	(33,559)
Decrease in other current assets	626	24,091
(Increase) decrease in other non-current assets	(1,471)	261
Total changes in operating assets	<u>57,405</u>	<u>909,552</u>
Increase (decrease) in contract liabilities	1,247	(30,600)
(Decrease) increase in notes payable	(245)	240
(Decrease) increase in accounts payable	(58,526)	91,116
Decrease in accounts payable to related parties	(69,018)	(9,905)
Increase (decrease) in other payable	28,807	(914,450)
Decrease in provisions	(11,164)	(11,890)
Decrease in refund liabilities	(15,100)	(21,141)
(Decrease) increase in other current liabilities	(34)	3,754
Decrease in other non-current liabilities	(995)	(3,187)
Total changes in operating liabilities	<u>(125,028)</u>	<u>(896,063)</u>
Total changes in operating assets and liabilities	<u>(67,623)</u>	<u>13,489</u>
Total adjustments	<u>(1,856,587)</u>	<u>278,459</u>
Cash outflow generated from operations	(541,804)	(235,096)
Interest received	1,209	279
Dividends received	40,867	618,164
Interest paid	(6,729)	(3,972)
Income taxes paid	(1,864)	(746)
Net cash flows (used in) from operating activities	<u>(508,321)</u>	<u>378,629</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(180,322)	-
Proceeds from disposal of investments accounted for using equity method	2,634,803	-
Acquisition of property, plant and equipment	(62,854)	(57,310)
Proceeds from disposal of property, plant and equipment	439	191
Acquisition of intangible assets	(2,849)	(22,178)
Other investing activities	174	45,531
Net cash flows from (used in) investing activities	<u>2,389,391</u>	<u>(33,766)</u>
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term loans	(593,006)	207,969
Repayments of bonds	(608)	-
Payment of lease liabilities	(3,707)	(606)
Cash dividends paid	-	(130,400)
Net cash flows (used in) from financing activities	<u>(597,321)</u>	<u>76,963</u>
Net increase in cash and cash equivalents	1,283,749	421,826
Cash and cash equivalents at beginning of period	493,602	71,776
Cash and cash equivalents at end of period	<u>\$ 1,777,351</u>	<u>493,602</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

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(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 March 17, 2021.

(3) New standards, amendments and interpretations adopted:

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

The details of impact on the Company’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in note 4(1).

- (ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the financial statements:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- (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, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

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

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

(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;

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- 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.

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;

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- (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 its 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 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.

(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.

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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the 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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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;
- 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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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.

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 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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 fully meet its credit obligations to the Company.

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 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 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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) Exchangeable bonds

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

3) Financial liabilities

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

4) Other financial liabilities

Financial liabilities that are not classified as held-for-trading or measured at fair value through profit or loss, which comprise loans 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.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or have expired. 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.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the 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.

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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(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.

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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(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 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: 5~55 years
- 2) Transportation, office equipment and others: 2~9 years

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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 property to investment property.

(l) Leases

(i) Identifying a lease

At inception of a contract, the 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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.

(Continued)

D-LINK CORPORATION
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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
- 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.

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

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

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

(iii) 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'.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(p) Treasury stocks

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

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

(q) 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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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 4(p).

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 the Company has received consideration.

(r) 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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(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.

(s) Share-based payment

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

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(t) 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.

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;

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- (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.

(u) 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 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.

(v) Operating segments

The Company discloses the information on operating segments in the consolidated financial statements. Therefore, the Company does not disclose such information in the parent-company-only financial statements.

(Continued)

D-LINK CORPORATION
Notes to the 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 has substantial control over invested company

The Company held 17.35% of issued shares of Cameo Communication, Inc., and the remaining shares were held by related parties with more than 5% equity interest, including corporate shareholders and minority shareholders. Based on previous experience, it is unlikely the Company would obtain more than half of the directors' seats and the voting rights of the shareholders' meeting. As a result, the Company has no substantial control over Cameo Communication, Inc.

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 265	432
Checking and saving accounts	227,086	493,170
Cash equivalents	<u>1,550,000</u>	<u>-</u>
	<u>\$ 1,777,351</u>	<u>493,602</u>

Please refer to 6(w) for the currency risk in financial assets and liabilities and their sensitivity analysis.

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 current assets.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(b) Financial Assets and Liabilities

(i) Details as follows

Financial assets and liabilities at fair value through profit or loss:

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss - current		
Cross currency swaps	\$ <u>20,861</u>	<u>1,494</u>
Financial liabilities at fair value through profit or loss - current		
Cross currency swaps	\$ 167	7,662
Forward foreign exchange contracts	57	106
Exchangeable corporate bonds embeded derivative	<u>-</u>	<u>65,380</u>
	<u>\$ 224</u>	<u>73,148</u>
Financial assets at fair value through other comprehensive income - non-current		
Cameo Communication, Inc. (CAMEO)	<u>\$ 364,655</u>	<u>166,183</u>

- 1) For disclosures on credit, currency and interest rate risks in financial instruments please refer to note 6(w).
- 2) The Company has increased its investment in Cameo by \$180,322 thousand in 2020.
- 3) As of December 31, 2020 and 2019, no financial assets have been pledged as collateral.

(ii) Sensitivity analysis – equity market price risk:

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

	2020		2019	
	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Security price at reporting date				
Increase 3%	\$ <u>10,940</u>	<u>-</u>	<u>4,985</u>	<u>-</u>
Decrease 3%	\$ <u>(10,940)</u>	<u>-</u>	<u>(4,985)</u>	<u>-</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iii) 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, 2020 and 2019, 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, 2020			December 31, 2019		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
JPY	\$ 1,800,000	JPY	2021.01~2021.06	1,800,000	JPY	2020.7~2020.12
EUR	10,000	EUR	2021.01	-	-	-

2) Derivative financial liabilities

	December 31, 2020			December 31, 2019		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 1,700	USD	2021.03	22,900	USD	2020.1~2020.3
EUR	-	-	-	10,000	EUR	2020.1
Forward foreign exchange contracts:						
EUR	500	EUR	2021.03	460	EUR	2020.1~2020.2
Exchngeable corporate bonds embedded derivative:						
NTD	-	-	-	299,600	NTD	2020.6

(c) Notes and accounts receivable and other receivables

	December 31, 2020	December 31, 2019
Notes receivable for operating activities	\$ 2,646	8,802
Accounts receivable for operating activities	161,953	242,597
Other receivables	<u>26,642</u>	<u>43,600</u>
	191,241	294,999
Less: allowance for doubtful accounts	<u>(1,096)</u>	<u>(1,743)</u>
	<u>\$ 190,145</u>	<u>293,256</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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 allowance provision as of 2020 and 2019 was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 189,138	0.57%	1,076
90 days or less past due	<u>2,103</u>	0.95%	<u>20</u>
	<u>\$ 191,241</u>		<u>1,096</u>

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 286,159	0.57%	1,649
90 days or less past due	<u>8,840</u>	1.06%	<u>94</u>
	<u>\$ 294,999</u>		<u>1,743</u>

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

	2020	2019
Balance at January 1, 2020 and 2019	\$ 1,743	691
Impairment loss recognized	<u>(647)</u>	<u>1,052</u>
Balance at December 31, 2020 and 2019	<u>\$ 1,096</u>	<u>1,743</u>

(d) Inventories

	December 31, 2020	December 31, 2019
Finished goods	<u>\$ 127,022</u>	<u>116,786</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, 2020 and 2019, the cost of goods delivered were \$620,633 thousand and \$762,378 thousand, respectively. Write-down of inventories to net realizable value were recorded as cost of goods sold and decreased by \$10,511 thousand and increased by \$7,314 thousand in 2020 and 2019, respectively. In 2020 and 2019, the warranty expenses, inventory losses from obsolescence and others amounted to \$29,064 thousand and \$28,956 thousand, respectively.

As of December 31, 2020 and 2019, no inventories were pledged as collateral.

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D-LINK CORPORATION
Notes to the Financial Statements

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 7,869,038	7,659,536
Associates	<u>-</u>	<u>1,875,878</u>
	7,869,038	9,535,414
Less: Credit balance of equity investment (In other non-current liabilities)	<u>(667,569)</u>	<u>(678,363)</u>
	<u><u>\$ 7,201,469</u></u>	<u><u>8,857,051</u></u>

- (i) YEOTAI, the Company's the investment accounted for using equity method, reduced its capital by cash in 2019, and the Company received cash for \$21,000 thousand.
- (ii) D-Link Brazil, the Company's investment accounted for using equity method, reduced capital to offset deficit for 2,770,000 thousand shares (BRL\$27,700 thousand) in December 2019.
- (iii) During 2020 and 2019, the Company disposed of Alpha Networks Inc., an equity-accounted investee, and recognized disposal proceeds of \$1,250,434 thousand and \$24,171 thousand, respectively.

1) Subsidiaries

Please refer to the 2020 consolidated financial statements.

2) Associates

Name of Associate	Nature of relationship with the Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held	
			December 31, 2020	December 31, 2019
Alpha Networks, Inc. (Alpha)	The major business are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	-	19.26 %

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- 1) The financial information of Alpha was summarized as follows:

	November 30, 2020 (Unaudited)	December 31, 2019
Current assets	\$ 21,809,621	19,148,501
Non-current assets	6,198,278	5,851,867
Current liabilities	14,178,386	9,584,608
Non-current liabilities	<u>1,320,201</u>	<u>1,368,466</u>
Net assets	<u>\$ 12,509,312</u>	<u>14,047,294</u>
Net assets attributable to non-controlling interests	<u>\$ 2,981,613</u>	<u>4,066,496</u>
Net assets attributable to investee's shareholders	<u>\$ 9,527,699</u>	<u>9,980,798</u>
	2020.1. ~2020.11 (Unaudited)	2019
Operating revenue	<u>\$ 28,570,311</u>	<u>15,825,808</u>
Net income	\$ 558,270	238,903
Other comprehensive income (loss)	<u>93,124</u>	<u>(122,759)</u>
Total comprehensive income	<u>\$ 651,394</u>	<u>116,144</u>
Total comprehensive income attributable to non-controlling interest	<u>\$ 134,446</u>	<u>-</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 516,948</u>	<u>116,144</u>
	2020.1. ~2020.11 (Unaudited)	2019
The Company's share in associate's net assets at beginning of year	\$ 1,920,299	2,086,492
Comprehensive income attributable to the Company	109,284	33,903
Changes in equity of associates using equity method	(170,642)	(5,218)
Dividends received during the year	(36,534)	(109,232)
Less: exchange of exchangeable bond and sell of shares	<u>(1,823,805)</u>	<u>(85,646)</u>
The Company's share in associate's net assets at end of year	(1,398)	1,920,299
Less: unrealized gains or losses	-	(45,819)
Add: goodwill	<u>1,398</u>	<u>1,398</u>
Carrying amounts of investments accounted for using equity method at ending of year	<u>\$ -</u>	<u>1,875,878</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- 2) The market value of public listed or OTC investees of the Company accounted for using equity method were as follows:

	November 30, 2020	December 31, 2019
Alpha	\$ <u> -</u>	<u> 2,460,505</u>
(iv) Pledges		

As of December 31, 2020 and 2019, no investment accounted for using equity methods is pledged as collateral.

- (f) Right-of-use assets

The Company leases buildings. Information about leases is presented below:

	Buildings
Cost:	
Balance at January 1, 2020	\$ 19,982
Decrease	<u> (3,917)</u>
Balance at December 31, 2020	<u> \$ 16,065</u>
Balance at January 1, 2019	\$ -
Increase	<u> 19,982</u>
Balance at December 31, 2019	<u> \$ 19,982</u>
Accumulated Depreciation:	
Balance at January 1, 2020	\$ 751
Increase	3,900
Decrease	<u> (514)</u>
Balance at December 31, 2020	<u> \$ 4,137</u>
Balance at January 1, 2019	\$ -
Depreciation for the year	<u> 751</u>
Balance at December 31, 2019	<u> \$ 751</u>
Carrying amount:	
Balance at December 31, 2020	<u> \$ 11,928</u>
Balance at December 31, 2019	<u> \$ 19,231</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(g) Property, plant and equipment

	2020				Balance as of December 31, 2020
	Balance as of January 1, 2020	Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	546,598	1,488	-	-	548,086
Others	692,533	61,366	31,552	-	722,347
	<u>1,770,584</u>	<u>62,854</u>	<u>31,552</u>	<u>-</u>	<u>1,801,886</u>
Accumulated depreciation:					
Buildings	420,324	5,248	-	-	425,572
Others	604,460	50,888	31,419	-	623,929
	<u>1,024,784</u>	<u>56,136</u>	<u>31,419</u>	<u>-</u>	<u>1,049,501</u>
	<u>\$ 745,800</u>	<u>6,718</u>	<u>133</u>	<u>-</u>	<u>752,385</u>
				2019	
					Balance as of December 31, 2019
	Balance as of January 1, 2019	Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	546,186	412	-	-	546,598
Others	645,175	56,898	9,540	-	692,533
	<u>1,722,814</u>	<u>57,310</u>	<u>9,540</u>	<u>-</u>	<u>1,770,584</u>
Accumulated depreciation:					
Buildings	414,702	5,622	-	-	420,324
Others	556,857	57,143	9,540	-	604,460
	<u>971,559</u>	<u>62,765</u>	<u>9,540</u>	<u>-</u>	<u>1,024,784</u>
	<u>\$ 751,255</u>	<u>(5,455)</u>	<u>-</u>	<u>-</u>	<u>745,800</u>

As of December 31, 2020 and 2019, no property, plant and equipment were pledged as collateral.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(h) Investment property

	Balance as of January 1, 2020	2020			Balance as of December 31, 2020
		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>11,527</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>11,924</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,669</u>	<u>(397)</u>	<u>-</u>	<u>-</u>	<u>39,272</u>
	Balance as of January 1, 2019	2019			Balance as of December 31, 2019
		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>11,131</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>11,527</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 40,065</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>39,669</u>
			December 31, 2020	December 31, 2019	
Book value			<u>\$ 39,272</u>	<u>39,669</u>	
Fair value			<u>\$ 51,328</u>	<u>46,993</u>	

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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(u). Besides, direct operating expenses related to investment property were \$301 thousand and \$306 thousand in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, 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, 2020 and 2019, no investment property was pledged as collateral.

(i) Intangible assets

	2020				Balance as of
	Balance as of January 1, 2020	Increase	Decrease	Amortization	December 31, 2020
Patents	20,411	-	-	(2,691)	17,720
Computer software costs	75,488	2,849	-	(35,224)	43,113
Other intangible assets	27,033	-	-	(13,566)	13,467
	<u>\$ 122,932</u>	<u>2,849</u>	<u>-</u>	<u>(51,481)</u>	<u>74,300</u>
	2019				Balance as of
	Balance as of January 1, 2019	Increase	Decrease	Amortization	December 31, 2019
Patents	23,103	-	-	(2,692)	20,411
Computer software costs	91,445	16,079	-	(32,036)	75,488
Other intangible assets	37,339	6,099	-	(16,405)	27,033
	<u>\$ 151,887</u>	<u>22,178</u>	<u>-</u>	<u>(51,133)</u>	<u>122,932</u>

(j) Long-term and short-term loans

The details requirements and terms of the long-term and short-term loans of the Company were as follows:

(i) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2020	December 31, 2019
Other short-term loans	USD	-	2020	\$ -	602,120
Other short-term loans	EUR	1%	2020~2021	348,368	337,549
Other short-term loans	JPY	0.5%	2020~2021	496,895	498,600
Total				<u>\$ 845,263</u>	<u>1,438,269</u>
Unused credit facilities				<u>\$ 3,341,162</u>	<u>4,155,866</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

For further information on other short-term loans from the subsidiaries, please refer to note 7(b).

(ii) Long-term Loans

As of December 31, 2020 and 2019, the Company had no long-term loans and the unused credit facilities have amounted to \$500,000 thousand.

(k) Lease liabilities

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

	December 31, 2020	December 31, 2019
Current	\$ <u>3,017</u>	<u>4,021</u>
Non-current	\$ <u>9,230</u>	<u>15,355</u>

The amounts recognized in profit or loss were as follows:

	2020	2019
Interests on lease liabilities	\$ <u>257</u>	<u>25</u>
Expenses relating to short-term leases	\$ <u>2,748</u>	<u>4,286</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>6,712</u>	<u>4,917</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

	Balance as of January 1, 2020	2020					Effect of exchange	Balance as of December 31, 2020
		Increase	Used	Reversed	Reclassification			
Warranties	\$ 65,783	8,649	(4,870)	-	-	-	69,562	
Legal proceedings and royalties	<u>85,079</u>	<u>56,455</u>	<u>(6,294)</u>	<u>-</u>	<u>-</u>	<u>(2,590)</u>	<u>132,650</u>	
	<u>\$ 150,862</u>	<u>65,104</u>	<u>(11,164)</u>	<u>-</u>	<u>-</u>	<u>(2,590)</u>	<u>202,212</u>	

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	2019						Balance as of December 31, 2019
	Balance as of January 1, 2019	Increase	Used	Reversed	Reclassification	Effect of exchange	
Warranties	\$ 66,787	5,045	(6,049)	-	-	-	65,783
Legal proceedings and royalties	59,929	-	(5,841)	-	33,169	(2,178)	85,079
	<u>\$ 126,716</u>	<u>5,045</u>	<u>(11,890)</u>	<u>-</u>	<u>33,169</u>	<u>(2,178)</u>	<u>150,862</u>

(m) Refund liabilities

	December 31, 2020	December 31, 2019
Refund liabilities	<u>\$ 32,582</u>	<u>47,682</u>

Due to the application of IFRS 15, the provision of sales allowance was reclassified from other payable to refund liabilities.

(n) Bonds payable

Exchangeable corporate bonds

	December 31, 2020	December 31, 2019
Exchangeable bonds	\$ 1,200,000	1,200,000
Less: Discount and unamortized issuance cost	-	1,403
Accumulated exchanged bonds	(1,199,400)	(900,400)
Due Payment	(600)	-
Balance of exchangeable bonds	<u>\$ -</u>	<u>301,003</u>
Embedded derivatives:		
Conversion options, included in financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>65,380</u>
	2020	2019
Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ 34,967</u>	<u>65,527</u>
Interest expense	<u>\$ 2,107</u>	<u>6,062</u>

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

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D-LINK CORPORATION
Notes to the Financial Statements

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

(i) Total issuance amount:

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

(ii) Duration:

June 17, 2015 to June 17, 2020.

(iii) Coupon rate for the bonds is zero.

(iv) Payment term

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

(v) Exchange period:

The exchangeable bonds may be exchanged into common shares of Alpha on or after July 18, 2015, and prior to June 17, 2020. For the year ended December 31, 2020, the bondholders exchanged 2,990 units amounted to \$299,000 thousand for 15,444 thousand of Alpha's common shares at \$19.36 per share and the Company recognized the profit amounted to \$139,965 thousand. For the year ended December 31, 2019, the bondholders exchanged 912 units amounted to \$91,200 thousand for 4,711 thousand of Alpha's common shares at \$19.36 per share and the Company recognized the profit amounted to \$24,171 thousand.

(vi) Exchange price:

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

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D-LINK CORPORATION
Notes to the Financial Statements

(vii) Early redemption option:

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

(viii) Put options:

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

(o) Employee benefits

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

	December 31, 2020	December 31, 2019
Present value of benefit obligations	\$ 91,577	104,051
Fair value of plan assets	<u>(80,892)</u>	<u>(87,839)</u>
Deficit in the plan	<u>\$ 10,685</u>	<u>16,212</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.

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D-LINK CORPORATION
Notes to the Financial Statements

1) Composition of plan

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$80,892 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 2020 and 2019 were as follows:

	2020	2019
Defined benefit obligation at January 1	\$ 104,051	118,396
Current service costs and interests	2,186	2,641
Remeasurement of the defined benefit liabilities		
— Actuarial losses from changes in the financial assumptions	9,130	3,659
— Actuarial gains from changes in experience adjustments	(10,722)	(5,684)
Benefits paid by the plan	<u>(13,068)</u>	<u>(14,961)</u>
Defined benefit obligation at December 31	<u>\$ 91,577</u>	<u>104,051</u>

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2020 and 2019 were as follows:

	2020	2019
Fair value of plan assets at January 1	\$ 87,839	96,088
Interest income	995	1,341
Remeasurement of the plan assets		
— Actuarial return on plan assets (excluding interests)	2,942	3,045
Contributions made	2,184	2,326
Benefits paid by the plan	<u>(13,068)</u>	<u>(14,961)</u>
Fair value of plan assets at December 31	<u>\$ 80,892</u>	<u>87,839</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2020 and 2019 were as follow:

	2020	2019
Current service costs	\$ 1,019	1,014
Net interest on the net defined benefit obligation	<u>172</u>	<u>286</u>
	<u>\$ 1,191</u>	<u>1,300</u>
	2020	2019
Operating costs	\$ 23	20
Selling expenses	615	669
Administrative expenses	219	260
Research and development expenses	<u>334</u>	<u>351</u>
	<u>\$ 1,191</u>	<u>1,300</u>

5) Remeasurement of the net define befinif liabilities recognized in other comprehensive income

The Company's remeasurement of the net define befinif liabilities recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Balance on January 1	\$ 51,864	56,934
Recognized	<u>(4,534)</u>	<u>(5,070)</u>
Balance on December 31	<u>\$ 47,330</u>	<u>51,864</u>

6) Actuarial assumptions

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

	2020.12.31	2019.12.31
Discount rate	0.400 %	1.125 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of \$1,785 thousand to the plan for the next annual reporting period.

The weighted average duration of defined benefit obligation is 15.00 years and 16.32 years in 2020 and 2019, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

7) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2020 and 2019 was as follows:

	Effective of defined benefit liabilities	
	Increase	Decrease
December 31, 2020		
Discount rate (0.25% change)	\$ (3,301)	3,449
Future salary increase (0.25% change)	3,124	(3,014)
December 31, 2019		
Discount rate (0.25% change)	(3,659)	3,822
Future salary increase (0.25% change)	3,684	(3,549)

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.

The amount of the Company's pension expenses under defined contribution pension plan in 2020 and 2019 were as follows and the amounts were contributed to the labor pension personal accounts of the Bureau of the Labor Insurance:

	2020	2019
Operating costs	\$ 145	158
Operating expenses	<u>36,261</u>	<u>35,389</u>
	<u>\$ 36,406</u>	<u>35,547</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(p) Income Taxes

Income tax expenses (benefit) for the years ended 2020 and 2019 were summarized as follows:

	2020	2019
Current income tax expense (benefit)	\$ 43,459	(27,291)
Deferred tax expense	<u>31,399</u>	<u>22,063</u>
	<u>\$ 74,858</u>	<u>(5,228)</u>

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

	2020	2019
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	\$ <u>(68,189)</u>	<u>(4,016)</u>

Reconciliation of income tax expense (benefit) and profit (loss) before tax was as follows:

	2020	2019
Profit (loss) before income tax	\$ <u>1,314,783</u>	<u>(513,555)</u>
Income tax using the Company's domestic tax rate	\$ 262,957	(102,711)
Share of profit or loss of associates accounted for using equity method	(3,689)	202,049
Investment income from domestic company	(24,860)	(14,583)
Gains on disposals of domestic investments accounted for using equity method	(249,907)	-
Basic income tax	42,715	-
Unrecognized changes of temporary differences	14,641	(86,439)
Income tax adjustments on prior years and others	<u>33,001</u>	<u>(3,544)</u>
Income tax expenses (benefit)	<u>\$ 74,858</u>	<u>(5,228)</u>

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

	December 31, 2020	December 31, 2019
Deductible temporary differences		
Unrealized expenses	\$ 26,622	16,589
Provisions for warranty	13,913	13,157
Unrealized impairment	24,318	24,318
Others	<u>39,784</u>	<u>36,402</u>
	<u>104,637</u>	<u>90,466</u>
Operating loss carry forward	<u>249,529</u>	<u>249,059</u>
	<u>\$ 354,166</u>	<u>339,525</u>

(Continued)

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Notes to the Financial Statements

(ii) Recognized deferred tax assets and liabilities

	Intra-group transactions	Exchange difference arising on translation of foreign operations	Loss carry forward	Others	Total
Deferred income tax assets:					
Balance at January 1, 2020	\$ 77,155	209,692	143,177	5,414	435,438
Recognized in profit or loss	(15,474)	-	99,254	283	84,063
Exchange difference arising on translation of foreign operations	-	68,189	-	-	68,189
Balance at December 31, 2020	<u>\$ 61,681</u>	<u>277,881</u>	<u>242,431</u>	<u>5,697</u>	<u>587,690</u>
Balance at January 1, 2019	\$ 93,416	205,676	-	5,044	304,136
Recognized in profit or loss	(16,261)	-	143,177	370	127,286
Exchange difference arising on translation of foreign operations	-	4,016	-	-	4,016
Balance at December 31, 2019	<u>\$ 77,155</u>	<u>209,692</u>	<u>143,177</u>	<u>5,414</u>	<u>435,438</u>

	Investments under equity method	Others	Total
Deferred income tax liabilities:			
Balance at January 1, 2020	\$ 143,177	9,257	152,434
Recognized in profit or loss	99,254	16,208	115,462
Balance at December 31, 2020	<u>\$ 242,431</u>	<u>25,465</u>	<u>267,896</u>
Balance at January 1, 2019	\$ -	3,085	3,085
Recognized in profit or loss	143,177	6,172	149,349
Balance at December 31, 2019	<u>\$ 143,177</u>	<u>9,257</u>	<u>152,434</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, 2020, 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	\$ 1,740,912	2027
2019	172,882	2029
2020	546,006	2030
	<u>\$ 2,459,800</u>	

The Company's income tax return had been examined by the tax authorities through 2018.

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Notes to the Financial Statements

(q) Share capital and other equity

(i) Common stock

As of December 31, 2020 and 2019, 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, 2020 and 2019, the issued capital amounted to \$6,519,961 thousand. The par value of the Company's common stock was \$10 New Taiwan dollars per share and the number of share was 651,996 thousand shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Common stock in excess of par value	\$ 1,217,030	1,217,030
Treasury stock	39,310	39,310
Changes in equities of associates accounted for using equity method	740	76,234
Failure of employee share options	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>\$ 1,523,313</u></u>	<u><u>1,598,807</u></u>

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

(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 Order 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 amounts recognized in undistributed retained earnings" for the earnings distribution for 2019 and the years thereafter.

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Notes to the Financial Statements

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.

On June 21, 2019, the Company decided to distribute dividend to shareholders with the amount \$65,200 thousand of legal reserve.

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 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 has no earnings to distribute in 2019 due to the accumulated deficit.

The Company has earnings in 2018 but no earnings to distribute after offsetting accumulated losses from prior years. The Company's shareholders meeting resolved to distribute the cash dividends amounted to \$65,200 thousand (\$0.1 per share) of legal reserve and \$65,200 thousand (\$0.1 per share) of capital surplus on June 21, 2019.

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.

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Notes to the Financial Statements

(iv) Other equity

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2020	\$ (1,236,701)	(165,102)	(3,484)
The Company	(335,773)	18,150	-
Associates	51,889	58,273	3,484
Subsidiaries-disposal	-	73	-
Balance at December 31, 2020	<u>\$ (1,520,585)</u>	<u>(88,606)</u>	<u>-</u>

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2019	\$ (1,151,611)	(147,771)	(15,138)
The Company	(62,610)	(13,544)	-
Associates	(22,480)	8,123	11,654
Subsidiaries-disposal	-	(11,910)	-
Balance at December 31, 2019	<u>\$ (1,236,701)</u>	<u>(165,102)</u>	<u>(3,484)</u>

(r) Earnings per share

(i) The calculation of basic earnings per share of the Company were as follows:

	2020	2019
Profit (loss) of the Company for the year	<u>\$ 1,239,925</u>	<u>(508,327)</u>
Ordinary shares outstanding	<u>651,996</u>	<u>651,996</u>
Basic earnings (loss) per share (dollar)	<u>\$ 1.90</u>	<u>(0.78)</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(ii) Diluted earnings per share

	2020	2019
Profit (loss) attributable to owners of ordinary shares (diluted)	\$ <u>1,239,925</u>	<u>(508,327)</u>
Weighted-average number of ordinary shares outstanding (basic)	\$ 651,996	651,996
Employee's bonuses have not yet been resolved by the shareholders' meeting	<u>1,496</u>	<u>44</u>
Weighted average number of ordinary shares (diluted) at December 31	<u>653,492</u>	<u>652,040</u>
Diluted earnings (loss) per share	\$ <u>1.90</u>	<u>(0.78)</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.

(s) Revenue from contracts with customers

(i) The Company revenue from contract revenue

Major product / service lines	2020	2019
Network communication products	\$ 980,422	1,135,398
Services	<u>527,632</u>	<u>566,149</u>
	<u>\$ 1,508,054</u>	<u>1,701,547</u>
Primary geographical markets	2020	2019
Asia	\$ 1,404,056	1,604,080
Others	<u>103,998</u>	<u>97,467</u>
	<u>\$ 1,508,054</u>	<u>1,701,547</u>

(ii) Contract liabilities

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

	December 31, 2020	December 31, 2019
Contract Liabilities — current (sales)	\$ <u>9,079</u>	<u>7,832</u>

2) The Company recognized \$6,536 thousand and \$36,298 thousand in sales from the beginning balance of contract liabilities for the year ended December 31, 2020 and 2019, respectively.

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(t) 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 employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

In 2020, the Company estimated its employee remuneration amounting to \$42,936 thousand, and directors' and supervisors' remuneration amounting to \$0 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under or operating expenses during 2020.

The Company incurred loss in the years ended December 31, 2019, and thus, the Company was not required to accrue any remuneration to its employees and directors.

There was no difference between the aforementioned remuneration to employees and directors resolved by the Board of Directors and the amounts recognized in the Company's financial statements for the years ended 2020 and 2019. Related information is available on the Market Observation Post System website.

(u) Other income and losses

(i) Interest income

	2020	2019
Interest income from bank deposits	\$ <u>1,209</u>	<u>279</u>

(i) Other income

	2020	2019
Rental income	\$ 1,380	1,694
Others	<u>8,014</u>	<u>14,744</u>
Total	\$ <u>9,394</u>	<u>16,438</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(ii) Other gains and losses

	2020	2019
Gain on disposal of property, plant and equipment	\$ 306	191
Gain on disposals of investments	1,250,434	29,558
Foreign currency exchange (loss) gains	(20,881)	31,985
Valuation losses from financial assets and liabilities	(8,056)	(77,932)
Others	<u>2,078</u>	<u>2,959</u>
	<u><u>\$ 1,223,881</u></u>	<u><u>(13,239)</u></u>

(iii) Financial costs

	2020	2019
Interest expense	\$ (6,534)	(5,805)
Other financial costs	-	-
Interest expense of bond discounts	(2,107)	(6,062)
Lease liability interests	<u>(257)</u>	<u>(25)</u>
	<u>(2,364)</u>	<u>(6,087)</u>
Net financial costs	<u><u>\$ (8,898)</u></u>	<u><u>(11,892)</u></u>

(v) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2020 and 2019 were summarized as follow:

	2020	2019
Exchange differences arising on translation of foreign operations		
Change in foreign currency exchange from the Company	\$ <u>(403,962)</u>	<u>(66,626)</u>
Change in exchange differences arising on translation of foreign operation recognized in other comprehensive income	<u><u>\$ (403,962)</u></u>	<u><u>(66,626)</u></u>
Share of other comprehensive income accounted for using equity method		
Change in foreign currency exchange from subsidiary and associates	\$ 41,254	(23,687)
Reclassification to profit or loss	10,913	1,492
Change in other comprehensive income from associates	<u>3,206</u>	<u>11,369</u>
Share of other comprehensive income from associates	<u><u>\$ 55,373</u></u>	<u><u>(10,826)</u></u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(w) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 1,777,351	493,602
Financial assets at fair value through profit or loss — current	20,861	1,494
Financial assets at fair value through other comprehensive income — non-current	364,655	166,183
Notes receivable, accounts receivable and other accounts receivable (including related parties)	287,747	345,084
Refundable deposits	<u>4,637</u>	<u>4,811</u>
	<u>\$ 2,455,251</u>	<u>1,011,174</u>

2) Financial liabilities

	December 31, 2020	December 31, 2019
Short-term loans	\$ 845,263	1,438,269
Financial liabilities at fair value through profit or loss — current	224	73,148
Notes payable, accounts payable and other payables (including related parties)	539,886	638,807
Bonds payable	-	301,003
Guarantee deposits received	3,074	3,074
Lease liability (current and non-current)	<u>12,247</u>	<u>19,376</u>
	<u>\$ 1,400,694</u>	<u>2,473,677</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, 2020 and 2019, the maximum amount exposed to credit risk amounted to \$2,455,251 thousand, and \$1,011,174 thousand, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(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, 2020							
Non-derivative financial liabilities							
Short-term loans	\$ 845,263	851,231	2,984	848,247	-	-	-
Notes payable	11	11	11	-	-	-	-
Accounts payable	128,467	128,467	128,467	-	-	-	-
Accounts payable to related parties	6,151	6,151	6,151	-	-	-	-
Other payables	405,257	405,257	405,257	-	-	-	-
Lease liability	12,247	12,665	1,619	1,578	3,156	6,312	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Cross currency swaps	167	167	167	-	-	-	-
Forward foreign exchange contracts	57	57	57	-	-	-	-
	<u>\$ 1,400,694</u>	<u>1,407,080</u>	<u>547,787</u>	<u>849,825</u>	<u>3,156</u>	<u>6,312</u>	<u>-</u>
December 31, 2019							
Non-derivative financial liabilities							
Short-term loans	\$ 1,438,269	1,444,137	5,166	1,438,971	-	-	-
Notes payable	256	256	256	-	-	-	-
Accounts payable	186,993	186,993	186,993	-	-	-	-
Accounts payable to related parties	75,169	75,169	75,169	-	-	-	-
Other payables	376,389	376,389	376,389	-	-	-	-
Bonds payable	301,003	301,003	301,003	-	-	-	-
Lease liability	19,376	20,181	2,078	2,223	4,000	11,880	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Exchangeable corporate bonds embedded derivative	65,380	65,380	65,380	-	-	-	-
Cross currency swaps	7,662	7,662	7,662	-	-	-	-
Forward foreign exchange contracts	106	106	106	-	-	-	-
	<u>\$ 2,473,677</u>	<u>2,480,350</u>	<u>1,023,276</u>	<u>1,441,194</u>	<u>4,000</u>	<u>11,880</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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iv) Currency risk

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

	2020			2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets :						
Monetary items:						
USD	\$ 4,816	28.51	<u>137,293</u>	11,314	30.11	<u>340,616</u>
Derivative financial instruments:						
EUR	\$ 345	34.84	12,011	-	-	-
JPY	32,059	0.28	<u>8,850</u>	5,394	0.28	<u>1,494</u>
			<u>\$ 20,861</u>			<u>1,494</u>
Investment accounted for using equity method:						
USD	\$ 230,888	28.51	6,582,179	213,316	30.11	6,422,105
CAD	15,790	22.40	353,669	15,756	23.18	365,241
BRL	-	-	-	2,487	7.47	18,576
AUD	6,883	21.96	151,160	6,454	21.11	136,256
MXN	10,977	1.43	15,697	4,514	1.60	7,200
JPY	2,499,858	0.28	690,093	2,391,083	0.28	662,330
CLP	227,193	0.04	<u>9,106</u>	-	-	<u>-</u>
			<u>\$ 7,801,904</u>			<u>7,611,708</u>
Financial liabilities:						
Monetary items:						
USD	\$ 4,924	28.51	140,377	25,367	30.11	763,699
EUR	10,045	34.84	349,937	-	-	-
JPY	1,802,417	0.28	<u>497,563</u>	1,802,431	0.28	<u>499,273</u>
			<u>\$ 987,877</u>			<u>1,262,972</u>
Derivative financial instruments:						
USD	\$ 9	28.51	224	72	30.11	2,164
EUR	-	-	<u>-</u>	166	33.75	<u>5,604</u>
			<u>\$ 224</u>			<u>7,768</u>
Credit balance of equity investment:						
USD	\$ 22,428	28.51	636,656	22,486	30.11	674,253
CLP	-	-	-	135,574	0.04	4,110
AUD	5,635	5.49	<u>30,913</u>	-	-	<u>-</u>
			<u>\$ 667,569</u>			<u>678,363</u>

Note: The amounts were calculated by the net value of investees timing comprehensive shareholding ratio, except investing premium or discount and the recognition of intra-group transactions.

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Because the Company has various functional currencies, information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities is aggregatedly disclosed. The total foreign exchange losses and gains, including realized and unrealized, were losses \$20,881 thousand and gains \$31,985 thousand for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 would have increased or decreased the net loss after tax by \$75,653 thousand and \$72,057 thousand, respectively, assuming all other variables were held constant.

(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.

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 level of fair values was as follows:

Assets and liabilities	Total	December 31, 2020		
		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 other comprehensive income	\$ 364,655	364,655	-	-
Derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss — current	20,861	-	20,861	-

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		December 31, 2020			
Assets and liabilities	Total	Level 1	Level 2	Level 3	
Liabilities:					
Financial liabilities at fair value through profit or loss — current	224	-	224	-	
		December 31, 2019			
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 other comprehensive income	\$ 166,183	166,183	-	-	
Derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss — current	1,494	-	1,494	-	
Liabilities:					
Financial liabilities at fair value through profit or loss — current	73,148	-	73,148	-	

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, 2020 and 2019, there were no transfers between level 1 and level 2 of the fair value hierarchy.

(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.

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D-LINK CORPORATION
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	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Non-financial assets:				
Investment property	\$ <u>39,272</u>	<u>51,328</u>	<u>39,669</u>	<u>46,993</u>
	December 31, 2020			
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 51,328	-	-	51,328
	December 31, 2019			
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 46,993	-	-	46,993

2) Valuation techniques

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

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

(x) Financial risk management

(i) Overview

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

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

This note expressed 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.

(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.

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D-LINK CORPORATION
Notes to the Financial Statements

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 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 in. However, the Company operates worldwide, and thus, risk is diversified. As of December 31, 2020 and 2019, 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.

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.

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D-LINK CORPORATION
Notes to the Financial Statements

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 exposure 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, 2020 and 2019, 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 have 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 \$3,841,162 thousand as of December 31, 2020.

(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.

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.

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Notes to the Financial Statements

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.

(y) 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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Notes to the Financial Statements

Debt-to-equity ratio:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 2,689,617	3,583,636
Less: cash and cash equivalents	<u>(1,777,351)</u>	<u>(493,602)</u>
Net debt	<u>\$ 912,266</u>	<u>3,090,034</u>
Total equity	<u>\$ 9,259,495</u>	<u>8,473,414</u>
Debt-to-equity ratio	<u>9.85%</u>	<u>36.47%</u>

As of December 31, 2020, the methods of the Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 2020 and 2019 were as follows:

- (i) Requirement of right-to-use assets through lease agreement, please refer to note 6(k).
- (ii) Exchangeable corporate bonds, please refer to note 6(n).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Exchange	Fair value changes	Others	
Short-term loan	\$ 1,438,269	(593,006)	-	-	-	845,263
Lease liabilities	19,376	(3,707)	-	-	(3,422)	12,247
Bonds payable	301,003	(608)	(302,502)	2,107	-	-
Guarantee deposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 1,761,722</u>	<u>(597,321)</u>	<u>(302,502)</u>	<u>2,107</u>	<u>(3,422)</u>	<u>860,584</u>

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019
			Exchange	Fair value changes	Others	
Short-term loan	\$ 1,230,300	207,969	-	-	-	1,438,269
	-	(606)	-	-	19,982	19,376
Bonds payable	386,019	-	(91,078)	6,062	-	301,003
Guarantee deposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 1,619,393</u>	<u>207,363</u>	<u>(91,078)</u>	<u>6,062</u>	<u>19,982</u>	<u>1,761,722</u>

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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.	A subsidiary
Yeomao Investment Co., Ltd.	A subsidiary
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
D-Link Hong Kong Ltd. (D-Link Hong Kong)	A subsidiary (had dismissed at November 22, 2019)
OOO D-Link Trade (D-Link Trade)	A subsidiary
Success Stone Overseas Corp. (Success Stone)	A subsidiary
Wishfi Pte. Ltd. (Wishfi)	A subsidiary
D-Link India Ltd. (D-Link India)	A subsidiary

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<u>Name of related party</u>	<u>Relationship with the Company</u>
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 Network	A subsidiary
D-Link (Shiang-Hai) Co., Ltd.	A subsidiary
Netpro Trading (Shiang-Hai) Co., Ltd.	A subsidiary
D-Link del Ecuador S.A.	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
Alpha Networks, Inc.	An associate (It became a non-related party since all of the previously held shares in it have already been sold on November 30, 2020)
Cameo Communication, Inc.	The Company is the director of Cameo

(b) Significant related party transactions

The amounts of significant sales by the Company to related parties were as follows:

(i) Sales revenue

	2020	2019
Subsidiaries	\$ 204,141	140,071
Associates	-	30
Other related parties-Cameo	<u>58</u>	<u>-</u>
	<u>\$ 204,199</u>	<u>140,101</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

	2020	2019
Subsidiaries:		
D-Link International	\$ 455,963	525,274
Others	31,274	4,746
Associates	328	433
Others- Cameo	<u>5</u>	<u>-</u>
	<u><u>\$ 487,570</u></u>	<u><u>530,453</u></u>

(iii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2020	2019
Subsidiaries:	\$ 1,351	34,876
Associate:		
Alpha	93,578	199,109
Other related-parties:		
Cameo	<u>31,432</u>	<u>31,100</u>
	<u><u>\$ 126,361</u></u>	<u><u>265,085</u></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.

(iv) Accounts receivable due from related parties

The receivables from related parties were as follows:

Account	Related party categories	December 31, 2020	December 31, 2019
Accounts receivable	Subsidiaries – D-Link International	\$ 52,762	31,673
Accounts receivables	Subsidiaries – Others	44,849	19,938
Accounts receivable	Associates – Others	-	217
Other receivable	Subsidiaries – Others	3,199	3,727
Other receivables	Other related parties – Cameo	<u>29</u>	<u>-</u>
		<u><u>\$ 100,839</u></u>	<u><u>55,555</u></u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(v) Other gains and losses

Account	Related party categories	2020	2019
Other gains and losses	Associates – Alpha	\$ 2,078	800
Other gains and losses	Subsidiaries	<u>69</u>	<u>69</u>
		<u>\$ 2,147</u>	<u>869</u>

Other gains and losses were composed of remunerations of directors and supervisors and rental of subsidiaries.

(vi) Accounts payable to related parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2020	December 31, 2019
Accounts payable	Subsidiaries	\$ 224	295
Accounts payable	Associates – Alpha	-	64,673
Accounts payable	Other related-parties – Cameo	5,927	10,201
Other payables	Subsidiaries – D-Link International	-	607
Other payables	Subsidiaries – Others	744	2,067
Other payables	Associates – Alpha	-	9,478
Other payables	Other related-parties – Cameo	<u>18,345</u>	<u>19,681</u>
		<u>\$ 25,240</u>	<u>107,002</u>

Other payables were expenses that were temporary payments to subsidiaries and service fees and costs of warranty to related parties due to transactions.

(vii) Services purchased from related parties

The services purchased from related-parties were as follows:

	2020	2019
Associates – Alpha	\$ 23,196	15,080
Other related-parties – Cameo	<u>29,603</u>	<u>27,628</u>
	<u>\$ 52,799</u>	<u>42,708</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(viii) Property transaction

1) Property, plant and equipment acquired

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

	2020	2019
Associate— Alpha	\$ 5,464	6,261
Other related-parties— Cameo	<u>10,348</u>	<u>3,330</u>
	<u>\$ 15,812</u>	<u>9,591</u>

- 2) The Company sold its patents which are in the process of application to MiiiCasa Holding for \$20,735 thousand (USD\$700 thousand US dollars) in March 2012. The unrealized profits due to the abovementioned transactions amounting to \$0 thousand was recognized under other non-current liabilities; and the realized profits of \$20,735 thousand was recognized under other gains and losses.

Account	Related party categories	2020	2019
Gains and Losses	Associates	<u>\$ -</u>	<u>2,160</u>

(ix) Equity Transfer

On equity transfer with its related-parties, the Company recognized the deferred unrealized profit each amounting to \$36,246 and \$68,012 thousand as of December 31, 2020 and 2019. The details of the equity transfer with related-parties were as follows:

- 1) The company sold the equity of D-Link Deutschland to D-Link Europe for \$17,637 thousand in 1997 and another additional amount of \$1,050 thousand in 1998, both with the disposal amount totaling \$18,687 thousand. Furthermore, the Company sold the equity of D-Link AB to D-Link Europe for \$5,574 thousand in June 1998. According to above transactions, the Company recognized the deferred unrealized profit in investments accounted for using equity method each amounting to \$52,913 thousand as of December 31, 2020 and 2019.
- 2) For integrated overseas investment structure, the Company transferred the equity of D-Link Europe, a subsidiary directly owned by the Company, to D-Link Holding for \$1 dollar in October 2002, resulting in the Company to recognize the deferred unrealized loss in investments accounted for using equity method each amounting to \$16,667 thousand as of December 31, 2020 and 2019.
- 3) The company sold parts of equity of Alpha to Yeochia, Yeomao and Yeotai for \$623,125 thousand in February 2004. Furthermore, the Company sold all of its equity interests in Alpha in 2020, resulting in the Company to recognize the additional amounts of \$0 thousand and \$31,766 thousand of deferred unrealized profit in investments accounted for using equity method as of December 31, 2020 and 2019, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(x) Borrowing from Related Parties

The borrowing from related parties were as follows:

	2020	2019
Subsidiaries – D-Link Japan	\$ 496,895	498,600
Subsidiaries – D-Link Europe	348,368	337,549
Subsidiaries – D-Link International	<u>-</u>	<u>602,120</u>
	<u>\$ 845,263</u>	<u>1,438,269</u>

The interest paid to the related parties amounted to \$5,898 thousand and \$3,278 thousand for the year 2020 and 2019, respectively. The amounts were calculated based on the average interest rate imposed on related parties' borrowings by external financial institutions. The interest-bearing borrowings provided by related parties were unsecured. In addition, the Company borrows short-term loan from D-Link International, with amounts ranging between \$1 thousand and \$1 thousand for the year 2020, and had been fully paid by the end of the year.

(xi) Guarantee

As of December 31, 2020 and 2019, the Company had provided a guarantee to its related-parties which borrowed from financial institutions with the credit limit as follows:

	2020	2019
Subsidiaries:		
D-Link Europe	\$ 129,801	125,771
D-Link Shai-Hai	71,270	75,265
D-Link Trade	<u>14,254</u>	<u>15,053</u>
	<u>\$ 215,325</u>	<u>216,089</u>

For the years ended December 31, 2020 and 2019, the Company used its endorsement guarantees amounting to \$66,864 thousand and \$31,078 thousand respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 40,666	36,768
Post-employee benefits	<u>1,228</u>	<u>1,744</u>
	<u>\$ 41,894</u>	<u>38,512</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Other non-current assets	Reformance guarantee (restricted assets)	\$ -	222
Other current assets	Reformance guarantee (restricted assets)	<u>222</u>	<u>-</u>
		<u><u>\$ 222</u></u>	<u><u>222</u></u>

(9) Commitments and contingencies:

- (a) XR Communications, LLC and dba Vivato Technologies filed a lawsuit against the the Company's subsidiary, D-Link Systems, in April 2017, alleging that some of the D-Link Systems' products infringed its patents. D-Link Systems has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (b) The Company's subsidiary, D-Link Brazil, had disputes regarding prior year's declaration tax on industrialized products with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.
- (c) Parity Networks LLC 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) 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.
- (e) Cedar Lane Technologies Inc. filed a lawsuit against the Company in December 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.
- (f) Rock Creek Networks, LLC filed a lawsuit against the Company in January 2021, 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.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- (g) As of December 31, 2020 and 2019, the Company's outstanding stand-by letters of credit for purchasing inventories were \$0 thousand and \$12,894 thousand, respectively.
- (h) 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 liabilities are unclear. The Company has accrued the possible expense, and significant losses are unlikely.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

Cameo Communications, Inc. is one of the main suppliers of the Company and the two parties have been closely cooperating with each other in R&D and manufacture. Therefore, the Board of Directors, on February 2, 2021, approved the purchase of \$799,999 thousand common stock issued under private placement for capital increase at the price of \$8.19 per share, and the shareholding in Cameo Communications Inc. turned out to be 41.58%.

(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					
		2020			2019		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		3,501	794,930	798,431	3,524	751,646	755,170
Labor and health insurance		290	62,381	62,671	323	62,477	62,800
Pension		168	37,429	37,597	178	36,669	36,847
Remuneration of directors		-	3,777	3,777	-	3,660	3,660
Others		149	23,225	23,374	164	22,909	23,073
Depreciation		-	60,434	60,434	4	63,908	63,912
Amortization		-	51,481	51,481	6	51,127	51,133

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

The Company for the years ended December 31, 2020 and 2019 additional information for the number of employees and employee benefits were as follows :

	<u>2020</u>	<u>2019</u>
Number of employees	<u>738</u>	<u>722</u>
Number of directors who were not employees	<u>6</u>	<u>7</u>
The average employee benefit	<u>\$ 1,260</u>	<u>1,228</u>
The average salaries and wages	<u>\$ 1,091</u>	<u>1,056</u>
The adjustment rate of average employee salaries	<u>3.31 %</u>	<u>(2.13)%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's compensation policy (for directors, managers and employees) are as follows:

Directors: Compensation shall be determined not only according to the position's nature and responsibilities, but also with reference to the compensation of directors and supervisors disclosed in the financial statements of the Company's peers. Besides, compensation distribution shall regularly reviewed by the Compensation Committee and approved by the Board of Directors pursuant to the "Regulations Governing the Compensation to Directors and Functional Committee Members".

Managers: A new executive's compensation or the adjustment to any executive's compensation shall be decided by the HR department based on the the general pay level for executives in the industry, and the amount shall be distributed after being reviewed by the Compensation Committee and be approved by the Board of Directors.

Employee: The Company participates in an external salary survey annually, through which it collects the information on the general pay level in the industry and other pertinent matters. Based on the Company's operating and budget, it established a system for salary adjustment, bonus, promotion, and profit sharing. Additionally, the aforementioned incentive system shall be implemented taking into consideration the Company's overall operating result and individual performance appraisal.

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D-LINK CORPORATION

Notes to the 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 Company for the year ended December 31, 2020:

(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 Corporation	Other accounts receivable - related parties	Yes	570,160	570,160	-	-	2	-	Operating Capital	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (shanghai)	Other accounts receivable - related parties	Yes	43,690	43,690	16,165	4.00	2	-	Operating Capital	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Brazil	Other accounts receivable - related parties	Yes	57,016	57,016	-	-	2	-	Operating Capital	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Latin-America Company Ltd.	Other accounts receivable - related parties	Yes	599,852	599,852	599,852	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (shanghai)	Other accounts receivable - related parties	Yes	534,213	534,213	534,213	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Korea Limited	Other accounts receivable - related parties	Yes	32,960	16,755	16,755	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Brazil LTDA	Other accounts receivable - related parties	Yes	14,343	-	-	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (INDIA) Ltd	Other accounts receivable - related parties	Yes	2,958	2	2	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Investment Ptd. Ltd.	Other accounts receivable - related parties	Yes	1,110	1,110	1,110	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Trade M	Other accounts receivable - related parties	Yes	736	567	567	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	Wishfi Pte. Ltd.	Other accounts receivable - related parties	Yes	567	-	-	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
2	D-Link Russia Investment	D-Link International	Other accounts receivable - related parties	Yes	701,297	701,297	698,446	-	2	-	Operating Capital	-	-	-	712,621	712,621
3	D-Link Japan K.K.	D-Link Corporation	Other accounts receivable - related parties	Yes	496,895	496,895	496,895	0.50	2	-	Operating Capital	-	-	-	690,093	690,093

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

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		
4	D-Link Europe	D-Link Corporation	Other accounts receivable - related parties	Yes	348,368	348,368	348,368	1.00	2	-	Operating Capital	-	-	-	1,340,632	1,340,632
5	Yeotai	D-Link Corporation	Other accounts receivable - related parties	Yes	20,000	20,000	-	-	2	-	Operating Capital	-	-	-	25,245	25,245
6	D-Link (Deutschland) GmbH	D-Link Europe	Other accounts receivable - related parties	Yes	174,184	174,184	107,994	1.00	2	-	Operating Capital	-	-	-	184,524	184,524
7	D-Link Systems, Inc	D-Link International Pte Ltd	Other accounts receivable - related parties	Yes	295,390	295,390	295,390	-	2	-	Convert from Account receivable to loan receivable	-	-	-	1,447,664	1,447,664

Note 1: Purpose of fund financing for the borrower:

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

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

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

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

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

Note 6: Total amount of loans from YEOTAI to the parent Company and the ultimate parent company's 90% directly or indirectly owned overseas subsidiaries shall not exceed 40% of the net worth of YEOTAI.

Note 7: Only disclose funding loan limits that are still valid until end of the year of 2020.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	2,173,320	129,801	129,801	66,864	-	1.39 %	6,519,961	Y		
0	D-Link Corporation	D-Link Shiang-Hai	2	2,173,320	71,270	71,270	-	-	0.77 %	6,519,961	Y		Y
0	D-Link Corporation	D-Link Trade	2	2,173,320	14,254	14,254	-	-	0.15 %	6,519,961	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. Trade partner.
2. The Company owns more than 50% equity interests in the entity, directly or indirectly.
3. An entity that owns more than 50% equity interests in the Company, directly or indirectly.
4. The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date.

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Notes to the Financial Statements

(iii) Securities held as of December 31, 2020 (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	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	39,852,993	364,655	17.35 %	364,655	
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	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 %	-	
YEOCHIA	STEMCYTE	None	Non current financial assets at fair value through other comprehensive income	18,950	235	0.02 %	235	
YEOCHIA	Z-Com	None	Non current financial assets at fair value through other comprehensive income	3,064,041	32,632	4.23 %	32,632	
YEOCHIA	Venture Power	None	Non current financial assets at fair value through profit or loss	6,257,896	-	12.63 %	-	
Yeomao	Kaimei	None	Non current financial assets at fair value through other comprehensive income	577,251	52,876	0.42 %	52,876	
Yeomao	QuieTek	None	Non current financial assets at fair value through profit or loss	286,016	-	0.58 %	-	
Yeomao	ITEX	None	Non current financial assets at fair value through profit or loss	60,000	-	0.26 %	-	
Yeotai	Z-Com	None	Non current financial assets at fair value through other comprehensive income	50,000	533	0.07 %	533	
Yeotai	QuieTek	None	Non current financial assets at fair value through profit or loss	3,143,224	-	6.34 %	-	
D-Link India	ICICI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	267,630	31,564	- %	31,564	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	185,434	23,793	- %	23,793	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	12,190	23,741	- %	23,741	
D-Link India	TATA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	19,005	23,730	- %	23,730	
D-Link India	SBI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	12,730	15,873	- %	15,873	
D-Link India	LIC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	16,420	23,743	- %	23,743	
D-Link India	HDFC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	6,326	9,907	- %	9,907	
D-Link India	UTI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	16,629	21,692	- %	21,692	
D-Link India	AXIS MUTUAL FUND	None	Current financial assets at fair value through profit or loss	26,818	23,594	- %	23,594	
D-Link India	L&T LIQUID FUND	None	Current financial assets at fair value through profit or loss	18,113	19,679	- %	19,679	

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D-LINK CORPORATION

Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
D-Link Corporation	Alpha	Investment accounted under the equity method		Associate	104,480,022	1,907,644	-	-	89,035,834	2,634,803	1,524,335	1,110,468	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 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 balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sale and service revenue)	(508,119)	(37) %	60 days	-	-	52,762	20%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	508,119	70 %	60 days	-	-	(52,762)	(3)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sale)	(483,881)	(6) %	75 days	-	-	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sale)	(419,873)	(5) %	60 days	-	-	34,777	2%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sale)	(1,521,092)	(19) %	60 days	-	-	189,070	8%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sale)	(1,196,360)	(15) %	60 days	-	-	152,438	7%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sale)	(317,219)	(4) %	60 days	-	-	60,523	3%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sale)	(276,569)	(3) %	75 days	-	-	174,411	8%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sale)	(721,343)	(9) %	60 days	-	-	203,328	9%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sale)	(642,844)	(8) %	45 days	-	-	131,185	6%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sale)	(1,204,639)	(15) %	180 days	-	-	648,487	29%	
D-Link International	Alpha	Investments accounted for using equity method by D-Link Corporation	Purchase	1,143,354	16 %	90 days	-	-	-	-%	
D-Link International	Cameo	D-Link Corporation is the director of CAMEO	Purchase	1,414,549	20 %	90 days	-	-	(361,555)	(18)%	

(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 balance	Percentage of total notes/accounts receivable (payable)	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	483,881	95 %	75 days	—	—	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	419,873	99 %	60 days	—	—	(34,777)	(88)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,521,092	90 %	60 days	—	—	(189,070)	(59)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,196,360	66 %	60 days	—	—	(152,438)	(100)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	317,219	97 %	60 days	—	—	(60,523)	(98)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	276,569	93 %	75 days	—	—	(174,411)	(65)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	721,343	93 %	60 days	—	—	(203,328)	(100)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	642,844	30 %	45 days	—	—	(131,185)	(31)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,204,639	97 %	180 days	—	—	(648,487)	(99)%	

Note : The 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	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	189,070	5.97	-	-	29,026	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	174,411	2.94	15,227	-	7,127	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	203,328	4.58	-	-	-	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	648,487	1.71	-	-	-	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	131,185	4.11	5	-	27,909	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	152,438	7.67	-	-	887	-

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

Note 2: The amount represents collections subsequent to December 31, 2020 up to January 19, 2021.

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

(Continued)

D-LINK CORPORATION

Notes to the 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	EUR	EUR 10,000	12,011	12,011
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	8,850	8,850
D-Link International	Forward foreign exchange contract	INR(sell)	INR 15,502	554	554
D-Link International	Forward foreign exchange contract	RUB(Buy)	RUB 150,028	220	220
D-Link International	Cross currency swap	EUR	EUR 1,000	(162)	(162)
D-Link International	Cross currency swap	CNH	CNH 110,588	(8,140)	(8,140)
D-Link Corporation	Cross currency swap	USD	USD 1,700	(167)	(167)
D-Link International	Forward foreign exchange contract	AUD(Sell)	AUD 2,500	(2,502)	(2,502)
D-Link Corporation	Forward foreign exchange contract	EUR(Sell)	EUR 3,700	(57)	(57)
D-Link International	Forward foreign exchange contract	EUR(Sell)	EUR 500	(2,965)	(2,965)
D-Link International	Forward foreign exchange contract	CAD(Sell)	CAD 2,000	(797)	(797)
D-Link International	Forward foreign exchange contract	JPY(Sell)	JPY 700,000	(1,391)	(1,391)
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL 3,740	(565)	(565)
D-Link International	Forward foreign exchange contract	INR(Sell)	INR 221,346	(750)	(750)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW 1,877,735	(828)	(828)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,625,875	1,625,875	47,295,007	98.44 %	1,405,450	4,440	4,440	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	283,866	283,866	8,736,000	100.00 %	353,669	765	765	
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 %	2,099,470	496,271	484,055	100% shares owned by D-Link Corporation and D-Link Holding
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 %	(524,882)	(24,154)	(24,154)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,478	15,104	15,104	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	15,697	8,970	8,970	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 %	(30,914)	(47,172)	(47,172)	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 %	792,198	27,358	27,358	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,744	16,744	999,000	99.90 %	151,160	8,759	8,759	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Holding	B.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,734,080	81,467	81,467	

(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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	Note 2	-	120,050	11,148	- note 1	100% shared owned by D-Link Corporation directly and indirectly D-Link Corporation share's profit 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 %	719,582	30,136	30,136	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(111,773)	3,191	3,191	
D-Link Corporation	YEOCHIA	Taiwan	Investment company	122,400	122,400	Note 2	100.00 %	275,148	(20,838)	(20,838)	
D-Link Corporation	YEOMAO	Taiwan	Investment company	70,052	70,052	10,220,271	100.00 %	128,944	60,489	60,489	
D-Link Corporation	YEOTAI	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	63,113	6,007	6,007	
D-Link Corporation	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	-	993,420	-	-	-	414,065	78,644	Net income/loss is from November and unaudited
D-Link Investment	D-Link Trade	Russia	Marketing and after-sales service in Russia	66,538	66,538	Note 2	100.00 %	(110,470)	3,258	3,258	
D-Link International	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	22	22	1,000	0.10 %	19	8,759	-	D-Link Australia share's profit recognized in D-Link Corporation
D-Link International	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	34,260	34,260	1	16.67 %	30,104	27,358	-	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 %	(27,945)	7,964	7,964	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after-sales service in Moldova	13	13	Note 2	100.00 %	(584)	159	159	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	712,621	123,317	123,317	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after-sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,445	489	489	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after-sales service	3,574	3,574	1,000	100.00 %	3,610	503	503	
D-Link Holding	D-Link Europe	UK.	Marketing and after-sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,267,967	40,658	40,658	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after-sales service	8,466	8,466	425,340	0.64 %	(8,457)	496,271	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After-sales service in Russia	11,309	11,309	Note 2	100.00 %	4,667	(19)	(19)	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	841,102	72,055	72,055	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(543,192)	(33,521)	(33,521)	
D-Link Holding	D-Link Systems	USA	Marketing and after-sales service in USA	49,320	49,320	750,000	1.56 %	42,762	4,440	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after-sales service	68,566	68,566	1,000,000	100.00 %	1,400	(49)	(49)	
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	151,547	2,572	2,572	
D-Link Holding	MiiiCasa 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	-	-	(47,172)	-	D-Link Brazil share's profit recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	-	-	1	-	-	15,104	-	D-Link Sudamerica share's profit recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after-sales service in India	340,319	340,319	18,114,663	51.02 %	835,010	144,211	73,576	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	7,284	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 %	115,490	7,284	7,283	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	-	-	1	0.12 %	-	(382)	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica

(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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	-	-	1	0.03 %	3	15,928	-	D-Link Peru S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Marketing and after-sales service in Colombia	22,213	22,213	1,443,605	100.00 %	7,328	(403)	(403)	DCO
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	26	26	799	99.88 %	132	(382)	(382)	100% shares owned by D-Link L.A. and D-Link Sudamerica
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after-sales service in Guatemala	410	410	99,000	99.00 %	523	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	38	38	3,499	99.97 %	8,968	15,928	15,928	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	6	6	3	- %	7	8,970	-	D-Link Mexicana share's profit 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 %	142	51	51	D-Link Argentina share's profit recognized in D-Link Corporation
D-Link Europe	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	131,769	131,769	-	100.00 %	184,524	11,148	11,148	
D-Link Europe	D-Link AB	Sweden	Marketing and after-sales service in Sweden	9,022	9,022	15,500	100.00 %	17,219	2,351	2,351	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after-sales service in Spain	1,976	1,976	50,000	100.00 %	62,196	7,011	7,011	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after-sales service in Italy	2,177	2,177	50,000	100.00 %	5,675	374	374	
D-Link Europe	D-Link (Holdings)Ltd	UK.	Investment company	-	-	3	100.00 %	9,417	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after-sales service in France	5,287	5,287	114,560	100.00 %	35,470	2,868	2,868	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after-sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,715	485	485	
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 %	23,734	(1,795)	(1,795)	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after-sales service in Hungary	523	523	300	100.00 %	6,254	(4,069)	(4,069)	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after-sales service in Czech	329	329	100	100.00 %	3,462	(5,447)	(5,447)	
D-Link (Holdings)Ltd	D-Link UK	UK.	Marketing and after-sales service in UK	-	-	300,100	100.00 %	9,417	-	-	
D-Link Mediterraneo SRL	D-Link Adria d.o.o	Croatia	Marketing and after-sales service in Croatia	326	326	Note 2	100.00 %	1,268	(46)	(46)	
D-Link Middle East FZCO	D Link Network	Republic of South Africa	Marketing and after-sales service in South Africa	361	361	-	100.00 %	-	-	-	
YEOCHIA and YEOMAO	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	-	195,143	-	- %	-	-	4,332	
YEOCHIA and YEOTAI	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	181,500	181,500	1,832,446	41.18 %	-	(2,925)	-	

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

Note 2: Limited Company

Note 3: Share of profit (loss) of associates accounted for using equity method was recognized in D-Link Europe.

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

(Continued)

D-LINK CORPORATION

Notes to the 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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	555,906	(2)	555,906	-	-	555,906	(33,844)	100.00%	(33,844)	(551,511)	-
Netpro Trading	Research, development and trading business	19,956	(2)	18,601	-	-	18,601	323	100.00%	323	10,931	-
YouXiang	Technical Service and Import/Export trading business	62,040	(3)	-	-	-	-	(5,286)	9.86%	-	3,504	-

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 28.508, RMB 4.369 as of December 31, 2020.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
574,507	574,507	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.		65,020,000	9.97 %

(14) Segment information:

Please refer to Consolidated Financial Statements for the years ended December 31, 2020.

D-LINK CORPORATION
Statement of cash and cash equivalents
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and Foreign currency deposits	\$ <u>265</u>
Bank deposits	Checking and Saving accounts	
	NTD	168,440
	USD : 1,401 (in thousands)	39,952
	Other foreign currency deposits	<u>18,694</u>
Time deposits	NTD	<u>1,550,000</u>
		<u><u>\$ 1,777,351</u></u>

Note 1: The exchange rate of USD to NTD as of December 31, 2020 is 28.51.

D-LINK CORPORATION

Statement of financial assets at fair value through profit or loss - current

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units (thousand)	Carrying Amount	Total	Interest Rate	Aquisition 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		-	\$ -	<u>-</u>	- %	-	-	<u>20,861</u>	<u>-</u>	

D-LINK CORPORATION
Statement of notes receivable
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Chin Poon	\$ 490
Mikotek Infromation Inc	379
Hongxiang Technology	347
Kinmen Xin Cheng	309
Rui Yuan Co., Ltd.	300
OLLO CO., LTD.	249
TIESTAR CORP.	163
Yu Rui	144
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	<u>265</u>
	<u><u>\$ 2,646</u></u>

Note : Notes and accounts receivable are all generated by business activities.

D-LINK CORPORATION
Statement of accounts receivables
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Company A	31,411
Company B	10,974
Company C	23,152
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)	96,416
	161,953
Less: Allowance for doubtful accounts	(1,096)
	\$ 160,857

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.

Statement of other receivables

Item	Description	Amount
Receivable amounts from the discounts of vendors		\$ 16,542
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)		10,100
		\$ 26,642

D-LINK CORPORATION
Statement of inventories
December 31, 2020
(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	\$ 145,236	<u><u>135,802</u></u>	Market price is measured at net realizable value
Less: Allowance for inventory write downs and obsolescence	(18,214)		
	<u><u>\$ 127,022</u></u>		

Statement of other current assets

<u>Item</u>	<u>Amount</u>
Input tax	\$ 7,134
Prepaid software fees	4,668
Prepaid warranty fees	2,710
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)	<u>15,030</u>
	<u><u>\$ 29,542</u></u>

D-LINK CORPORATION

**Statement of financial assets at fair value through other comprehensive
income - non-current**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Name</u>	<u>Beginning Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Ending Balance</u>		<u>Collateral</u>
	<u>Shares (thousand)</u>	<u>Fair value</u>	<u>Shares (thousand)</u>	<u>Amount (Note)</u>	<u>Shares (thousand)</u>	<u>Amount(Note)</u>	<u>Shares (thousand)</u>	<u>Fair value</u>	
Cameo	21,499	\$ <u>166,183</u>	18,354	<u>198,472</u>	-	<u>-</u>	39,853	<u>364,655</u>	None

Note : Including the change in valuation \$18,150 thousand

D-LINK CORPORATION

Statement of changes in investments accounted for using equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Increase (Decrease) (Note1) and (Note2)		Net income (losses) of investee	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income (Note 3)	Other Equity	Other s Change (Note4)	Ending Balance		Market Value or Net Asset Value (Note7)	
	Shares	Amount	Shares	Amount						Shares	Amount		Percentage of ownership
Investments accounted for using equity method:													
D-Link Systems	47,295	\$ 1,482,080	-	-	4,440	(81,070)	-	-	-	47,295	1,405,450	98.44 %	1,447,664
D-Link Canada	8,736	365,241	-	-	765	(12,337)	-	-	-	8,736	353,669	100.00 %	353,669
D-Link International	66,075	1,875,560	-	-	484,055	(260,145)	-	-	-	66,075	2,099,470	99.36 %	2,537,619
D-Link Mexicana	152	7,200	-	-	8,970	(473)	-	-	-	152	15,697	100.00 %	15,697
D-Link Middle East(Note6)	-	810,694	-	-	27,358	(45,855)	-	-	-	-	792,197	83.33 %	826,571
D-Link Australia	999	136,256	-	-	8,759	6,144	-	-	-	999	151,159	99.90 %	151,160
D-Link Holding	68,063	1,715,005	-	-	81,467	(63,576)	1,185	-	-	68,063	1,734,081	100.00 %	1,770,325
D-Link Deutschland (Note5)	-	120,050	-	-	-	-	-	-	-	-	120,050	100.00 %	120,050
D-Link ME (Note6)	200	(4,110)	-	-	15,103	(521)	-	-	5	200	10,477	100.00 %	9,106
Alpha	104,480	1,875,878	(104,480)	(1,828,574)	78,644	(3,311)	45,000	3,005	(170,642)	-	-	- %	-
Yeochia(Note 6)	-	321,083	-	(4,333)	(20,838)	2,615	(9,902)	176	(13,652)	-	275,149	100.00 %	275,149
Yeoamo	10,220	56,325	-	-	60,489	369	13,353	25	(1,615)	10,220	128,946	100.00 %	128,946
Yeotai	14,600	59,649	-	-	6,007	-	(2,543)	-	-	14,600	63,113	100.00 %	63,113
D-Link Mexicana	10	691,818	-	-	30,136	(2,374)	-	-	-	10	719,580	100.00 %	690,093
		<u>9,512,729</u>		<u>(1,832,907)</u>	<u>785,355</u>	<u>(460,534)</u>	<u>47,093</u>	<u>3,206</u>	<u>(185,904)</u>		<u>7,869,038</u>		
Credit balance of equity investment :													
D-Link L.A.	41	(529,880)	-	-	(24,154)	29,152	-	-	-	41	(524,882)	100.00 %	(527,608)
D-Link Sudamerica	2,964,837	18,575	-	-	(47,171)	(2,318)	-	-	-	2,964,837	(30,914)	100.00 %	(30,914)
D-Link Investment	2,200	(144,373)	-	-	3,191	29,409	-	-	-	2,200	(111,773)	100.00 %	(111,773)
		<u>(655,678)</u>		<u>-</u>	<u>(68,134)</u>	<u>56,243</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(667,569)</u>		
		<u>\$ 8,857,051</u>		<u>(1,832,907)</u>	<u>717,221</u>	<u>(404,291)</u>	<u>47,093</u>	<u>3,206</u>	<u>(185,904)</u>		<u>7,201,469</u>		

Note 1: The increase in current period is due to the equity transfer with its related-parties from deferred unrealized benefits to realized benefits amounting to \$31,766 thousand.

Note 2: The decrease in current period is due to the adoption of equity method for cash dividends and exchangeable bonds amounting to \$40,867 thousand and \$1,823,806 thousand, respectively.

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 recognizing the investment adjustments through other equity method, resulting in the decrease of \$6,924 thousands in capital reserve and the decrease of \$178,980 thousands in retained earnings.

Note 5: The investment profit or loss based on investments accounted for using equity method is recognized in D-Link Holding.

Note 6: Yeochia. is a LLC ,and has yet divided shares ; 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, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Balance as of January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance as of December 31, 2020</u>
Land	\$ 531,453	-	-	-	531,453
Buildings	546,598	1,488	-	-	548,086
Others	692,533	61,366	31,552	-	722,347
	<u>\$ 1,770,584</u>	<u>62,854</u>	<u>31,552</u>	<u>-</u>	<u>1,801,886</u>

**Statement of changes in accumulated depreciation of
property, plant and equipment**

<u>Item</u>	<u>Balance as of January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance as of December 31, 2020</u>	<u>Note</u>
Accumulated Depreciation :						
Buildings	\$ 420,324	5,248	-	-	425,572	Note1
Others	604,460	50,888	31,419	-	623,929	Note2
	<u>\$ 1,024,784</u>	<u>56,136</u>	<u>31,419</u>	<u>-</u>	<u>1,049,501</u>	

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, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Balance as of January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of December 31, 2020</u>
Buildings	\$ <u>19,982</u>	<u>-</u>	<u>(3,917)</u>	<u>16,065</u>

**Statement of changes in accumulated depreciation of
right-of-use assets**

<u>Item</u>	<u>Balance as of January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of December 31, 2020</u>
Accumulated Depreciation :				
Buildings	\$ <u>751</u>	<u>3,900</u>	<u>(514)</u>	<u>4,137</u>

D-LINK CORPORATION
Statement of changes in investment property
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2020	Increase	Decrease	Balance as of December 31, 2020
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, 2020	Increase	Decrease	Balance as of December 31, 2020
Buildings	\$ 11,527	397	-	11,924

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.

D-LINK CORPORATION
Statement of changes in accumulated impairment of
investment property
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Balance as of January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of December 31, 2020</u>
Bulidings	\$ <u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>

Statement of changes in intangible assets

<u>Item</u>	<u>Balance as of January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance as of December 31, 2020</u>	<u>Note</u>
Patents	\$ 20,411	-	-	(2,691)	17,720	Note 1
Computer software costs	75,488	2,849	-	(35,224)	43,113	Note 2
Other intangible assets	27,033	-	-	(13,566)	13,467	Note 2
Total	<u>\$ 122,932</u>	<u>2,849</u>	<u>-</u>	<u>(51,481)</u>	<u>74,300</u>	

Note1: 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.

Note2: 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, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Refundable deposits	\$ 4,637
Others	<u>1,713</u>
Total	<u><u>\$ 6,350</u></u>

Statement of short-term loans

<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><u>\$ 845,263</u></u>	110	0.5~1	-	None

D-LINK CORPORATION

Statement of financial liabilities at fair value through profit or loss - current

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares</u>	<u>Carrying Amount</u>	<u>Total</u>	<u>Interest Rate</u>	<u>Unit Price</u>	<u>Fair Value</u> <u>Total</u>	<u>Fair value changes are attributable to the changes of credit risk</u>	
Derivative financial liabilities:									
Cross currency swaps		-	\$ -	-	-	%	-	167	-
Forward foreign exchange contracts		-	-	-	-	%	-	57	-
			\$ -	-			224	-	

D-LINK CORPORATION
Statement of notes and accounts payables
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Suppliers name</u>	<u>Amount</u>
Company A	\$ 23,743
Company B	17,207
Company C	13,693
Company D	28,301
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	<u>45,534</u>
	<u><u>\$ 128,478</u></u>

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.

Statement of other payables

<u>Item</u>	<u>Amount</u>
Payables on salaries, bonuses, labor health insurances and pensions	\$ 201,363
Payables on research fees	100,024
Payables on equipment	27,949
Others(The amount of individual vendor included within“Others”does not exceed 30,000 thousand.)	<u>75,921</u>
	<u><u>\$ 405,257</u></u>

D-LINK CORPORATION
Statement of provisions - current
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Warranties	\$ 69,562
Litigations and royalties	<u>132,650</u>
	<u>\$ 202,212</u>

Statement of other current liabilities

<u>Item</u>	<u>Amount</u>
Payables on income taxes	\$ 60,561
Payables in lieu of untaken annual leave	28,487
Others (The amount of individual item within“Others” does not exceed 5% of this account balance.)	<u>9,853</u>
	<u>\$ 98,901</u>

D-LINK CORPORATION
Statement of lease liabilities
December 31, 2020
(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	5 years	1.42~1.66	\$ 12,247
Less: classified as current lease liabilities				<u>(3,017)</u>
Lease liabilities-non current				<u><u>\$ 9,230</u></u>

Statement of other non-current liabilities

<u>Item</u>	<u>Amount</u>
Investments accounted for using equity method-credit balance	\$ 667,569
Others	<u>13,758</u>
	<u><u>\$ 681,327</u></u>

D-LINK CORPORATION
Statement of operating revenue
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantities (per piece)</u>	<u>Amount</u>
Sales Revenue:		
Network communication products	605,881	\$ 980,422
Service Revenue		<u>527,632</u>
		<u>\$ 1,508,054</u>

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Beginning Inventories	\$ 145,511
Add : Purchases	640,236
Less: Ending Inventories	145,236
Transferring to expenses and others	<u>18,633</u>
Cost of goods sold	621,878
Warranty Costs	21,555
Gains related to inventories	(8,725)
Others	<u>4,478</u>
	<u>\$ 639,186</u>

D-LINK CORPORATION
Statement of selling expenses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 278,160	
Royalty expenses		31,750	
Service expenses		4,837	
Depreciation and amortization		2,175	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>56,864</u>	
		<u>\$ 373,786</u>	

Statement of administrative expenses

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 131,572	
Service Expenses		39,169	
Depreciation and Amortization		15,666	
Royalty expenses		56,455	
Maintenance of software		16,776	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>57,227</u>	
		<u>\$ 316,865</u>	

D-LINK CORPORATION
Statement of research and development expenses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 508,233	
Outsourcing research expenses		177,440	
Depreciation and Amortization		94,074	
Others(The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>27,141</u>	
		<u><u>\$ 806,888</u></u>	

Statement of finance costs

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		\$ 6,534	
Interest expense of bond discounts		2,107	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>257</u>	
		<u><u>\$ 8,898</u></u>	

D-LINK CORPORATION
Statement of other income and other gains and
losses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Other income:	
Rental income	\$ 1,380
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	8,014
	\$ 9,394
Other gains and losses:	
Foreign currency exchange losses	\$ (20,881)
Valuation losses from financial assets and liabilities	(8,056)
Gain on disposals of investments	1,250,434
Others(The amount of individual item within "Others" does not exceed 5% of this account balance.)	2,384
	\$ 1,223,881