

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended June 30, 2004 and 2005

(In thousands of New Taiwan dollars)

| | 2004H1 | % | 2005H1 | % |
|---|------------------|-----------|------------------|-----------|
| Sales | 15,470,647 | 100 | 16,687,891 | 100 |
| Cost of goods sold | 10,297,277 | 67 | 11,405,819 | 68 |
| | <u>5,173,370</u> | <u>33</u> | <u>5,282,072</u> | <u>32</u> |
| Net changes in unrealized profit in inter-company sales | (3,847) | (0) | 0 | 0 |
| Gross Profit | <u>5,177,217</u> | <u>33</u> | <u>5,282,072</u> | <u>32</u> |
| Operating expenses | | 0 | | |
| Selling | 2,981,513 | 19 | 3,151,432 | 19 |
| Administrative | 325,521 | 2 | 295,775 | 2 |
| Research and development | 505,380 | 3 | 708,337 | 4 |
| | <u>3,812,413</u> | <u>25</u> | <u>4,155,545</u> | <u>25</u> |
| Operating income | <u>1,364,804</u> | <u>9</u> | <u>1,126,527</u> | <u>7</u> |
| Nonoperating income: | | | | |
| Interest income | 22,602 | 0 | 26,197 | 0 |
| Exchange gain, net | | 0 | 69,882 | |
| Gain on disposal of investments | 840,998 | 5 | 174,980 | 1 |
| Investment income from long-term investments under equity method, net | 62,930 | 0 | 36,311 | 0 |
| Other income, net | 17,461 | 0 | 11,189 | 0 |
| | <u>943,992</u> | <u>6</u> | <u>318,560</u> | <u>1</u> |
| Nonoperating expenses: | | | | |
| Interest expenses | 103,582 | 1 | 64,201 | 0 |
| Exchange loss, net | 63,004 | 0 | 123,386 | 1 |
| Investment loss on long-term investments under cost method, | 57,223 | 0 | 0 | 0 |
| Loss on inventory obsolescence and devaluation | 181,659 | 1 | 219,944 | 1 |
| | <u>405,467</u> | <u>3</u> | <u>407,531</u> | <u>2</u> |
| Income tax expenses | <u>173,426</u> | <u>1</u> | <u>279,200</u> | <u>2</u> |
| Net income | <u>1,729,902</u> | <u>11</u> | <u>758,356</u> | <u>5</u> |
| | | | | |
| Net income attributed to holding company | 1,624,609 | 11 | 623,955 | 4 |
| Net income attributed to minority interest | 105,293 | 1 | 134,402 | 1 |
| | <u>1,729,902</u> | <u>11</u> | <u>758,356</u> | <u>5</u> |

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30,2004 and 2005
(In thousands of New Taiwan dollars)

| Assets | 2004/6/30 | % | 2005/6/30 | % | Liabilities and Stockholders' Equity | 2004/6/30 | % | 2005/6/30 | % |
|---|----------------------|-----------|-------------------|------------|--|----------------------|------------|-------------------|------------|
| Current assets | | | | | Current liabilities: | | | | |
| Cash and cash equivalents | 1,769,926 | 6 | 3,372,020 | 14 | Short-term borrowings | 4,806,575 | 17 | 2,324,198 | 10 |
| Short-term investments | 5,753,144 | 21 | 2,196,128 | 9 | Notes and accounts payable | 3,913,828 | 14 | 3,715,316 | 15 |
| Notes and accounts receivable, net | 5,423,972 | 20 | 5,868,875 | 24 | Payables to related parties | 609,521 | 2 | 1,501,579 | 6 |
| Receivables from related parties | 88,869 | 0 | 165,056 | 1 | Current portion of long-term debts | 2,047,586 | 7 | 5,974 | 0 |
| Other financial assets-current | 49,779 | 0 | 111,966 | 0 | Other current liabilities | 3,645,421 | 13 | 3,824,615 | 16 |
| Inventories | 6,046,739 | 22 | 5,953,021 | 24 | Total current liabilities | <u>15,022,930</u> | <u>53</u> | <u>11,371,682</u> | <u>46</u> |
| Other current assets | 924,603 | 3 | 813,135 | 3 | Long-term liabilities bearing interest: | | | | |
| Restricted assets | 1,596,100 | 6 | (25) | 0 | Bonds payable | 0 | 0 | 0 | 0 |
| Total current assets | <u>21,653,132</u> | <u>78</u> | <u>18,480,176</u> | <u>75</u> | Long-term debts and lease obligations payable, excluding current installments | 0 | 0 | 14,132 | 0 |
| | | | | | Total long-term liabilities | <u>0</u> | <u>0</u> | <u>14,132</u> | <u>0</u> |
| Long-term investments | | | | | Other liabilities | | | | |
| Long-term investments under equity method | 1,740,936 | 6 | 1,435,304 | 6 | Accrued pension | 39,458 | 0 | 0 | 0 |
| Long-term investments under cost method | 723,401 | 3 | 712,838 | 3 | Deferred credit and others | 199,978 | 1 | 240,034 | 1 |
| Total long-term investments | <u>2,464,338</u> | <u>9</u> | <u>2,148,142</u> | <u>9</u> | Total other liabilities | <u>239,436</u> | <u>1</u> | <u>240,034</u> | <u>1</u> |
| Other financial assets-noncurrent | <u>6,228</u> | <u>0</u> | <u>6,868</u> | <u>0</u> | Total liabilities | <u>15,262,366</u> | <u>55</u> | <u>11,625,849</u> | <u>48</u> |
| Property, plant and equipment | | | | | Stockholders' equity | | | | |
| Land | 95,949 | 0 | 38,472 | 0 | Common stock | 5,606,108 | 20 | 6,091,618 | 25 |
| Buildings and improvements | 2,184,790 | 8 | 1,736,355 | 7 | Capital surplus | 3,068,063 | 11 | 2,487,008 | 10 |
| Machinery and equipment | 1,332,435 | 5 | 1,535,150 | 6 | Retained earnings: | | | | |
| Other equipment | 481,512 | 2 | 567,831 | 2 | Legal reserve | 747,696 | 3 | 1,007,789 | 4 |
| | <u>4,094,686</u> | <u>15</u> | <u>3,877,808</u> | <u>15</u> | Special reserve | | | | |
| Less:accumulated depreciation | 1,455,240 | 5 | 1,635,048 | 7 | Unappropriated earnings | 2,269,292 | 8 | 1,947,777 | 8 |
| Construction in progress and prepayment for purchases of machinery and equipment | 245,513 | 1 | 27,145 | 0 | | <u>3,016,988</u> | <u>11</u> | <u>2,955,566</u> | <u>12</u> |
| Net property, plant and equipment | <u>2,884,958</u> | <u>10</u> | <u>2,269,905</u> | <u>8</u> | Foreign currency translation adjustment | 145,659 | 1 | (68,185) | (0) |
| Other assets: | | | | | Long-term investments unrealized decline loss | | | (28,860) | (0) |
| Assets held for lease | 2,100 | 0 | 1,177,438 | 5 | Treasury stock | (861,447) | (3) | (448,716) | (2) |
| Others | 555,158 | 2 | 384,891 | 2 | Equity belonged to parent company's shareholders | 10,975,371 | 40 | 10,988,431 | 45 |
| Total other assets | <u>557,258</u> | <u>2</u> | <u>1,562,329</u> | <u>7</u> | Minority Interst | 1,328,177 | 5 | 1,853,141 | 8 |
| | | | | | Total stockholders' equity | <u>12,303,548</u> | <u>45</u> | <u>12,841,571</u> | <u>53</u> |
| Total assets | <u>\$ 27,565,914</u> | <u>0</u> | <u>24,467,420</u> | <u>100</u> | Total liabilities and stockholders' equity | <u>\$ 27,565,914</u> | <u>100</u> | <u>24,467,420</u> | <u>100</u> |