

**D-LINK CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~30
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	30
(6) Explanation of significant accounts	30~69
(7) Related-party transactions	69~73
(8) Pledged assets	73
(9) Significant contingent liabilities and unrecognized commitments	73~74
(10) Losses Due to Major Disasters	74
(11) Subsequent Events	74
(12) Other	74~75
(13) Other disclosures	
(a) Information on significant transactions	76~82
(b) Information on investees	83~84
(c) Information on investment in mainland China	85
(d) Major shareholders	86
(14) Segment information	86~87

Independent Auditors' Review Report

To the Board of Directors
D-LINK CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of D-LINK CORPORATION and its subsidiaries as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$6,723,470 thousand and \$4,062,592 thousand, constituting 42% and 27% of consolidated total assets as of September 30, 2022 and 2021, respectively, total liabilities amounting to \$2,200,321 thousand and \$901,526 thousand, constituting 34% and 14% of consolidated total liabilities as of September 30, 2022 and 2021, respectively, and total comprehensive income amounting to \$550,656 thousand, \$17,641 thousand, \$1,086,862 thousand and \$1,351 thousand, constituting 202%, (25)%, 165% and 0% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2022 and 2021, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 4, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2022 and 2021

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollar)

	September 30, 2022		December 31, 2021		September 30, 2021			September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
Current assets:							Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 3,030,904	19	2,195,080	16	3,214,449	22	2100 Short-term loans (note 6(l))	\$ 180,000	1	-	-	-	-
1110 Financial assets at fair value through profit or loss							2120 Financial liabilities at fair value through profit or loss — current (note 6(b))	2,397	-	16,368	-	16,549	-
— current (note 6(b))	248,170	2	279,344	2	300,571	2	2130 Current contract liabilities (notes 6(v) and 7)	229,079	1	134,833	1	142,102	1
1150 Notes receivable, net (note 6(c))	4,615	-	5,283	-	1,702	-	2150 Notes payable	2,217	-	11	-	198	-
1170 Accounts receivable, net (note 6(c))	3,664,896	23	3,414,780	24	3,263,409	22	2170 Accounts payable	2,347,453	15	2,336,740	16	2,552,380	17
1180 Accounts receivable due from related parties, net (notes 6(c) and 7)	1,063	-	10,187	-	1,774	-	2180 Accounts payable to related parties (note 7)	907,188	6	287,886	2	167,338	1
1197 Finance lease payment receivable (note 6(d))	32,128	-	25,565	-	25,526	-	2200 Other payables (notes 6(m) and 7)	948,102	6	907,850	6	1,743,824	12
1200 Other receivables (notes 6(c) and 7)	54,274	-	274,322	2	70,576	1	2230 Current tax liabilities	6,704	-	22,119	-	7,416	-
1220 Current tax assets	8,207	-	13,066	-	19,365	-	2250 Current provisions (note 6(o))	314,003	2	233,799	2	191,751	1
130X Inventories (note 6(e))	4,035,212	25	3,348,193	23	3,484,944	23	2280 Current lease liabilities (note 6(n))	136,027	1	142,551	1	149,594	1
1421 Prepayment for purchase (note 7)	153,350	1	173,656	1	281,972	2	2365 Current refund liability (note 6(p))	456,742	3	456,699	3	486,313	3
1470 Other current assets (note 8)	429,422	3	370,457	2	375,255	2	2399 Other current liabilities	39,990	-	51,065	-	55,774	1
	<u>11,662,241</u>	<u>73</u>	<u>10,109,933</u>	<u>70</u>	<u>11,039,543</u>	<u>74</u>		<u>5,569,902</u>	<u>35</u>	<u>4,589,921</u>	<u>31</u>	<u>5,513,239</u>	<u>37</u>
Non-current assets:							Non-Current liabilities:						
1517 Financial assets at fair value through other comprehensive income — non-current (note 6(b))	16,265	-	33,300	-	72,869	-	2570 Deferred tax liabilities (note 6(s))	317,265	2	352,837	3	336,633	2
1550 Investments accounted for using equity method (note 6(f))	1,403,347	9	1,407,915	10	1,027,828	7	2580 Non-current lease liabilities (note 6(n))	289,145	2	297,900	2	321,487	2
1600 Property, plant and equipment (note 6(h))	1,014,485	6	974,725	7	982,499	7	2600 Other non-current liabilities (note 6(r))	269,510	2	260,870	2	212,313	2
1755 Right-of-use assets (note 6(i))	263,090	3	278,175	2	302,066	2		<u>875,920</u>	<u>6</u>	<u>911,607</u>	<u>7</u>	<u>870,433</u>	<u>6</u>
1760 Investment property, net (note 6(j))	38,579	-	38,876	-	38,975	-	Total liabilities	<u>6,445,822</u>	<u>41</u>	<u>5,501,528</u>	<u>38</u>	<u>6,383,672</u>	<u>43</u>
1780 Intangible assets (note 6(k))	523,293	3	472,238	3	475,224	3	Equity attributable to owners of parent: (note 6(t))						
1840 Deferred tax assets (note 6(s))	647,839	4	869,956	6	804,922	5	3110 Ordinary shares	5,998,365	38	5,998,365	41	5,998,365	40
1990 Other non-current assets (note 8)	212,969	1	188,432	1	137,877	1	3200 Capital surplus	1,342,623	8	1,522,573	10	1,522,573	10
194D Long-term lease payment receivable, net (note 6(d))	124,674	1	130,314	1	137,650	1	Retained earnings:						
	<u>4,244,541</u>	<u>27</u>	<u>4,393,931</u>	<u>30</u>	<u>3,979,910</u>	<u>26</u>	3310 Legal reserve	2,129,290	13	2,110,026	15	2,110,026	14
							3320 Special reserve	693,165	4	412,952	3	412,952	3
							3350 Unappropriated retained earnings (Accumulated losses)	(175,567)	(1)	299,477	2	(135,198)	(1)
								<u>2,646,888</u>	<u>16</u>	<u>2,822,455</u>	<u>20</u>	<u>2,387,780</u>	<u>16</u>
							3400 Other equity interest	(1,161,798)	(7)	(1,866,035)	(13)	(1,784,295)	(12)
							Total equity attributable to owners of parent:	<u>8,826,078</u>	<u>55</u>	<u>8,477,358</u>	<u>58</u>	<u>8,124,423</u>	<u>54</u>
							36XX Non-controlling interests (notes 6(g) and (t))	634,882	4	524,978	4	511,358	3
							Total equity	<u>9,460,960</u>	<u>59</u>	<u>9,002,336</u>	<u>62</u>	<u>8,635,781</u>	<u>57</u>
Total assets	<u>\$ 15,906,782</u>	<u>100</u>	<u>14,503,864</u>	<u>100</u>	<u>15,019,453</u>	<u>100</u>	Total liabilities and equity	<u>\$ 15,906,782</u>	<u>100</u>	<u>14,503,864</u>	<u>100</u>	<u>15,019,453</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
 Reviewed only, not audited in accordance with generally accepted auditing standards

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net operating revenues (notes 6(v) and 7)								
	\$ 4,484,995	100	3,957,707	100	12,656,795	100	11,224,288	100	
5000	Operating costs (notes 6(e), (r) and 7)								
	<u>3,561,772</u>	<u>79</u>	<u>2,942,841</u>	<u>74</u>	<u>9,698,883</u>	<u>77</u>	<u>8,031,781</u>	<u>72</u>	
	Gross profit from operations								
	<u>923,223</u>	<u>21</u>	<u>1,014,866</u>	<u>26</u>	<u>2,957,912</u>	<u>23</u>	<u>3,192,507</u>	<u>28</u>	
	Operating expenses: (notes 6(c), (h), (i), (j), (k), (n), (q), (r) and (w))								
6100	Selling expenses	582,958	13	592,211	15	1,720,858	14	1,795,677	16
6200	Administrative expenses	189,725	4	142,506	4	674,941	5	591,097	5
6300	Research and development expenses	124,217	3	188,417	5	394,397	3	693,179	6
6450	Expected credit gain (note 6(c))	(422)	-	(1,266)	-	(3,731)	-	(12,569)	-
		<u>896,478</u>	<u>20</u>	<u>921,868</u>	<u>24</u>	<u>2,786,465</u>	<u>22</u>	<u>3,067,384</u>	<u>27</u>
	Net operating income	<u>26,745</u>	<u>1</u>	<u>92,998</u>	<u>2</u>	<u>171,447</u>	<u>1</u>	<u>125,123</u>	<u>1</u>
	Non-operating income and expenses:								
7100	Interest income (notes 6(x) and 7)	5,867	-	4,609	-	14,128	-	13,323	-
7010	Other income (notes 6(x) and 7)	1,819	-	590	-	4,441	-	1,468	-
7020	Other gains and losses (notes 6(f), (x), (z) and 7)	23,006	1	11,125	-	(120,688)	(1)	12,570	-
7050	Finance costs (notes 6(n) and (x))	(4,295)	-	(6,416)	-	(12,854)	-	(20,483)	-
7060	Share of profit (loss) of associates accounted for using equity method (note 6(f))	<u>17,692</u>	<u>-</u>	<u>(94,079)</u>	<u>(2)</u>	<u>(9,298)</u>	<u>-</u>	<u>(182,378)</u>	<u>(1)</u>
		<u>44,089</u>	<u>1</u>	<u>(84,171)</u>	<u>(2)</u>	<u>(124,271)</u>	<u>(1)</u>	<u>(175,500)</u>	<u>(1)</u>
	Profit (loss) before tax	<u>70,834</u>	<u>2</u>	<u>8,827</u>	<u>-</u>	<u>47,176</u>	<u>-</u>	<u>(50,377)</u>	<u>-</u>
7950	Less: Income tax expenses (note 6(s))	<u>23,278</u>	<u>1</u>	<u>10,854</u>	<u>-</u>	<u>119,810</u>	<u>1</u>	<u>73,598</u>	<u>1</u>
	Net profit (loss)	<u>47,556</u>	<u>1</u>	<u>(2,027)</u>	<u>-</u>	<u>(72,634)</u>	<u>(1)</u>	<u>(123,975)</u>	<u>(1)</u>
8300	Other comprehensive (loss) income:								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss (note 6(t))								
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(1,925)	-	(22,436)	(1)	(16,624)	-	39,057	-
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	452	-	(737)	-	(9,715)	-	(13,262)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>(1,473)</u>	<u>-</u>	<u>(23,173)</u>	<u>(1)</u>	<u>(26,339)</u>	<u>-</u>	<u>25,795</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(t) and (y))								
8361	Exchange differences on translation of foreign financial statements	268,677	6	(47,604)	(1)	893,629	7	(307,204)	(2)
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	53	-	(852)	-	14,445	-	(2,749)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	<u>(42,297)</u>	<u>(1)</u>	<u>3,186</u>	<u>-</u>	<u>(149,026)</u>	<u>(1)</u>	<u>33,350</u>	<u>-</u>
		<u>226,433</u>	<u>5</u>	<u>(45,270)</u>	<u>(1)</u>	<u>759,048</u>	<u>6</u>	<u>(276,603)</u>	<u>(2)</u>
8300	Other comprehensive income (loss), net	<u>224,960</u>	<u>5</u>	<u>(68,443)</u>	<u>(2)</u>	<u>732,709</u>	<u>6</u>	<u>(250,808)</u>	<u>(2)</u>
	Total comprehensive income (loss)	<u>\$ 272,516</u>	<u>6</u>	<u>(70,470)</u>	<u>(2)</u>	<u>660,075</u>	<u>5</u>	<u>(374,783)</u>	<u>(3)</u>
	Net profit (loss) attributable to:								
8610	Owners of parent	\$ 1,885	-	(26,978)	(1)	(174,643)	(2)	(185,373)	(2)
8620	Non-controlling interests	<u>45,671</u>	<u>1</u>	<u>24,951</u>	<u>1</u>	<u>102,009</u>	<u>1</u>	<u>61,398</u>	<u>1</u>
		<u>\$ 47,556</u>	<u>1</u>	<u>(2,027)</u>	<u>-</u>	<u>(72,634)</u>	<u>(1)</u>	<u>(123,975)</u>	<u>(1)</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ 202,884	5	(95,997)	(3)	528,670	4	(417,139)	(3)
8720	Non-controlling interests	<u>69,632</u>	<u>1</u>	<u>25,527</u>	<u>1</u>	<u>131,405</u>	<u>1</u>	<u>42,356</u>	<u>-</u>
		<u>\$ 272,516</u>	<u>6</u>	<u>(70,470)</u>	<u>(2)</u>	<u>660,075</u>	<u>5</u>	<u>(374,783)</u>	<u>(3)</u>
	Basic earnings (loss) per share (New Taiwan dollars) (note 6(u))	<u>\$ -</u>		<u>(0.04)</u>		<u>(0.29)</u>		<u>(0.29)</u>	
	Diluted earnings (loss) per share (New Taiwan dollars) (note 6(u))	<u>\$ -</u>		<u>(0.04)</u>		<u>(0.29)</u>		<u>(0.29)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent					Total other equity interest				
	Retained earnings				Unappropriated retained earnings (Accumulated losses)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity attributable to owners of parent	Non- controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve						
Balance at January 1, 2021	\$ 6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	9,259,495	480,860	9,740,355
Net loss for the nine months ended September 30, 2021	-	-	-	-	(185,373)	-	-	(185,373)	61,398	(123,975)
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	(257,561)	25,795	(231,766)	(19,042)	(250,808)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	(185,373)	(257,561)	25,795	(417,139)	42,356	(374,783)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	56,647	-	(56,647)	-	-	-	-	-
Special reserve appropriated	-	-	-	207,390	(207,390)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(195,597)	-	-	(195,597)	-	(195,597)
Other changes in capital surplus:										
Changes in equity of associates accounted for using equity method	-	(740)	-	-	-	-	-	(740)	-	(740)
Capital reduction	(521,596)	-	-	-	-	-	-	(521,596)	-	(521,596)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(11,858)	(11,858)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(56,662)	-	56,662	-	-	-
Balance at September 30, 2021	\$ 5,998,365	1,522,573	2,110,026	412,952	(135,198)	(1,778,146)	(6,149)	8,124,423	511,358	8,635,781
Balance at January 1, 2022	\$ 5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	8,477,358	524,978	9,002,336
Net loss for the nine months ended September 30, 2022	-	-	-	-	(174,643)	-	-	(174,643)	102,009	(72,634)
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	729,652	(26,339)	703,313	29,396	732,709
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	(174,643)	729,652	(26,339)	528,670	131,405	660,075
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	19,264	-	(19,264)	-	-	-	-	-
Special reserve appropriated	-	-	-	280,213	(280,213)	-	-	-	-	-
Other changes in capital surplus:										
Cash dividends from capital surplus	-	(179,950)	-	-	-	-	-	(179,950)	-	(179,950)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(21,501)	(21,501)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(924)	-	924	-	-	-
Balance at September 30, 2022	\$ 5,998,365	1,342,623	2,129,290	693,165	(175,567)	(1,133,944)	(27,854)	8,826,078	634,882	9,460,960

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2022	2021
Cash flows from operating activities:		
Profit (loss) before tax	\$ 47,176	(50,377)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	156,172	175,651
Amortization expense	24,094	34,577
Expected credit loss reversal gain	(3,731)	(12,569)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(79,259)	3,984
Interest expense	12,854	20,483
Interest income	(14,128)	(13,323)
Dividend income	(578)	-
Share of loss of associates accounted for using equity method	9,298	182,378
Gain on disposal of investments	(6,471)	(4,112)
Write-down loss of inventories to net realizable value	98,704	149,636
Other	106,256	(15,168)
Total adjustments to reconcile profit	<u>303,211</u>	<u>521,537</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	102,933	(63,267)
Decrease in notes receivable	668	945
Increase in accounts receivable	(256,066)	(185,842)
Decrease (increase) in accounts receivable due from related parties	9,458	(1,774)
Decrease (increase) in other receivables	13,291	(14,755)
Decrease in lease payment receivable	20,179	10,401
Increase in inventories	(922,471)	(1,176,009)
Decrease (increase) in prepayment for purchase	20,306	(175,965)
(Increase) decrease in other current assets	(53,991)	41,018
(Increase) decrease in other non-current assets	(24,661)	8,671
Total changes in operating assets	<u>(1,090,354)</u>	<u>(1,556,577)</u>
Increase in current contract liabilities	94,246	18,107
Increase (decrease) in notes payable	2,206	(32)
Increase in accounts payable	10,713	175,688
Increase (decrease) in accounts payable to related parties	619,660	(200,144)
Increase (decrease) in other payable	44,925	(156,606)
Decrease in current provisions	(12,209)	(25,621)
Increase (decrease) in current refund liabilities	43	(69,096)
(Decrease) increase in other current liabilities	(11,075)	2,715
Increase (decrease) in other non-current liabilities	6,546	(23,932)
Total changes in operating liabilities	<u>755,055</u>	<u>(278,921)</u>
Total changes in operating assets and liabilities	<u>(335,299)</u>	<u>(1,835,498)</u>
Total adjustments	<u>(32,088)</u>	<u>(1,313,961)</u>
Cash flows from (used in) operations	15,088	(1,364,338)
Interest received	13,770	13,323
Dividends received	578	-
Interest paid	(17,527)	(22,374)
Income taxes paid	(92,847)	(82,119)
Net cash flows used in operating activities	<u>(80,938)</u>	<u>(1,455,508)</u>
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	-	(812,484)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	578	-
Acquisition of property, plant and equipment	(35,881)	(25,307)
Proceeds from disposal of property, plant and equipment	-	212
Decrease in refundable deposits	124	1,260
Acquisition of intangible assets	(30,605)	(10,581)
Liquidation refund	206,757	-
Other investing activities	(4,947)	(24,676)
Net cash flows from (used in) investing activities	<u>136,026</u>	<u>(871,576)</u>
Cash flows from financing activities:		
Increase in short-term loans	180,000	-
Increase in guarantee deposits received	2,094	5,225
Payment of lease liabilities	(93,536)	(165,361)
Cash dividends paid (including subsidiaries)	(201,451)	(207,455)
Net cash flows used in financing activities	<u>(112,893)</u>	<u>(367,591)</u>
Effect of exchange rate changes on cash and cash equivalents	893,629	(307,203)
Net increase (decrease) in cash and cash equivalents	835,824	(3,001,878)
Cash and cash equivalents at the beginning of period	2,195,080	6,216,327
Cash and cash equivalents at the end of period	<u>\$ 3,030,904</u>	<u>3,214,449</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

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

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

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on November 4, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

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

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

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

(4) Summary of significant accounting policies:

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

(Continued)

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

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “ Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of Preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

(Continued)

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	100.00 %	Note
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company	D-Link Investment Pte Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	100.00 %	Note
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after-sales service	100.00 %	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link International	D-Link Russia Investment Co., Ltd. (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	100.00 %	Note
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
The Company	Yeo-Chia Investment Ltd. (Yeochia)	Investment company	- %	- %	100.00 %	Completed liquidation process on July 19, 2022 (note1)
The Company	Yeo-Mao Investment Inc. (Yeomao)	Investment company	- %	- %	100.00 %	Completed liquidation process in October 2022 (note1)
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	100.00 %	Note
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	100.00 %	Note
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	100.00 %	Note
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research, development, marketing and after-sales service	- %	100.00 %	100.00 %	Cancellation of registration in January, 2022
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	51.02 %	
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-Hai) Co., Ltd (D-Link Shiang-Hai)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-Hai) Co., Ltd (Netpro Trading)	Research, development and trading	100.00 %	100.00 %	100.00 %	Note
D-Link Mediterraneo	D-Link Adria d.o.o.	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	In liquidation process (Note)
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	99.00 %	In liquidation process (Note)
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	In liquidation process (Note)
D-Link ME	D Link Network	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	Note

Note: It was a non-significant subsidiary and the financial statements were not reviewed by independent auditors.

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

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

(d) Business combination

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

(Continued)

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

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

(e) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be settled, in the normal operating cycle;

(Continued)

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

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

(g) Cash and cash equivalents

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

(h) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

(Continued)

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

4) Business model assessment

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

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

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

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

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

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

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

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

(Continued)

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

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

6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

7) Derecognition of financial assets

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

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

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Financial liabilities

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(Continued)

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

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

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

Cash flow hedges

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

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

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

(Continued)

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

(i) Inventories

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

(j) Investment in associates

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

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

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

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

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

(k) Investment property

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

(Continued)

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(Continued)

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

(m) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

(Continued)

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

- there is any lease modifications

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

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

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

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

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

- (ii) As a lessor

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

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

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

(Continued)

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

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

(n) Intangible assets

(i) Goodwill and trademark

1) Recognition

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

2) Subsequent measurement

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(o) Impairment of non-financial assets

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

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

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

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

(p) Provisions

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

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(q) Revenue from contracts with customers

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(Continued)

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

(ii) Defined benefit plans

The pension cost for an interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(iii) Short-term employee benefits

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

(s) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period, and tax related to other comprehensive income should be recognized as other comprehensive income.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled.

In accordance with the laws of each country, the income tax of each entity should be declared individually. The amount of consolidated income tax should be the total amount of income tax of each entity.

(t) Earnings per share

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

(Continued)

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

(u) Operating segments

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgement, estimates, and assumptions that affect the application of the accounting policies and the reporting amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

(a) Judgment on substantial control over the investee

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

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the 2021 annual consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and Cash Equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 6,637	2,840	3,396
Checking and saving accounts	2,774,335	2,087,817	2,123,853
Time deposit	<u>249,932</u>	<u>104,423</u>	<u>1,087,200</u>
Cash and Cash Equivalents	<u><u>\$ 3,030,904</u></u>	<u><u>2,195,080</u></u>	<u><u>3,214,449</u></u>

(Continued)

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

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

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

(b) Financial Assets and Liabilities

(i) Details as follows

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily measured at fair value through profit or loss - current			
Beneficiary certificates – mutual funds	\$ 180,345	278,623	284,555
Cross currency swaps	47,565	73	4,240
Forward foreign exchange contracts	<u>20,260</u>	<u>648</u>	<u>11,776</u>
	<u><u>\$ 248,170</u></u>	<u><u>279,344</u></u>	<u><u>300,571</u></u>
Financial liabilities at fair value through profit or loss - current			
Cross currency swaps	\$ 2,106	13,722	16,534
Forward foreign exchange contracts	<u>291</u>	<u>2,646</u>	<u>15</u>
	<u><u>\$ 2,397</u></u>	<u><u>16,368</u></u>	<u><u>16,549</u></u>
	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at fair value through other comprehensive income - non- current			
Z-Com, Inc. (Z-Com)	\$ -	-	20,030
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	4,383	3,882	3,907
Kaimei Electronic Corp. (Kaimei)	11,660	29,207	48,720
StemCyte International. LTD (Stemcyte)	<u>222</u>	<u>211</u>	<u>212</u>
	<u><u>\$ 16,265</u></u>	<u><u>33,300</u></u>	<u><u>72,869</u></u>

(Continued)

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

- 1) On February 17, 2021, the Consolidated Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Consolidated Company transferred financial assets from financial assets at fair value through other comprehensive income to investments accounted for using equity method and reclassified financial assets from other equity loss to retained earnings amounting to 54,847 thousand.
 - 2) The Consolidated Company sold a total of 2,753,041 shares of Z-Com in 2021, disposed at the price of \$23,251 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$6,921 thousand .
 - 3) The Consolidated Company sold 288,000 shares of Kaimei in November 2021, disposed at the price of \$32,788 thousand, and reclassified financial assets from other equity gain to retained earnings amounting to \$16,208 thousand.
 - 4) The Consolidated Company sold 18,950 shares of Stemcyte in October 2021, disposed at the price of \$205 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$39 thousand.
 - 5) On July 14, 2022, Kaimei reduced its capital by 20% in cash and refund the capital reduction payment amounting to \$578 thousand.
 - 6) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(z).
 - 7) As of September 30, 2022, December 31, 2021 and September 30, 2021, no financial assets are pledged as collateral.
- (ii) Sensitivity analysis – equity market price risk:

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

	For the nine months ended September 30,			
	2022		2021	
Security price at reporting date	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$ <u>455</u>	<u>4,220</u>	<u>2,157</u>	<u>6,659</u>
Decrease 3%	\$ <u>(455)</u>	<u>(4,220)</u>	<u>(2,157)</u>	<u>(6,659)</u>

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk arising from the Consolidated Company's operating, financing and investing activities. As of September 30, 2022, December 31, 2021 and September 30, 2021, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

1) Derivative financial assets

	September 30, 2022			December 31, 2021			September 30, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:									
USD	\$ 19,700	USD	2022.10-11	-	-	-	-	-	-
GBP	-	-	-	-	-	-	1,000	GBP	2021.10
AUD	600	AUD	2022.10	-	-	-	-	-	-
CAD	700	CAD	2022.10	-	-	-	-	-	-
EUR	3,000	EUR	2022.10	4,000	EUR	2022.01	9,000	EUR	2021.10
JPY	1,250,000	JPY	2022.10-11	-	-	-	100,000	JPY	2021.10
CNH	92,737	CNH	2022.10-11	-	-	-	-	-	-
RUB	-	-	-	-	-	-	150,028	RUB	2021.10
Forward foreign exchange contracts:									
USD (buy)	4,200	USD	2022.10	-	-	-	-	-	-
AUD (sell)	1,600	AUD	2022.10	-	-	-	1,000	AUD	2021.10
EUR (sell)	6,200	EUR	2022.10-11	3,000	EUR	2022.01	7,000	EUR	2021.10
BRL (sell)	31,337	BRL	2022.10	-	-	-	58,565	BRL	2021.10
CAD (sell)	500	CAD	2022.10	700	CAD	2022.01	600	CAD	2021.10
JPY (sell)	530,000	JPY	2022.10-11	448,900	JPY	2022.01-02	50,000	JPY	2021.10
KRW (sell)	3,502,300	KRW	2022.10	-	-	-	2,120,155	KRW	2021.10
INR (sell)	59,837	INR	2022.10	-	-	-	129,085	INR	2021.10
GBP (sell)	300	GBP	2022.10	-	-	-	500	GBP	2021.10
IDR (sell)	24,072,000	IDR	2022.10	-	-	-	-	-	-

2) Derivative financial liabilities

	September 30, 2022			December 31, 2021			September 30, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:									
USD	\$ -	-	-	1,700	USD	2022.02	21,700	USD	2021.10
CNH	-	-	-	133,670	CNH	2022.01	133,670	CNH	2021.10
GBP	-	-	-	1,000	GBP	2022.01	-	-	-
EUR	-	-	-	10,000	EUR	2022.02	10,000	EUR	2021.10
JPY	800,000	JPY	2022.10	1,800,000	JPY	2022.01 ~2022.03	1,800,000	JPY	2021.10 ~2021.11
EUR	-	-	-	12,000	EUR	2022.01	-	-	-
CAD	-	-	-	1,100	CAD	2022.01	3,000	CAD	2021.10
AUD	-	-	-	300	AUD	2022.01	-	-	-
RUB	-	-	-	150,028	RUB	2022.01	-	-	-

(Continued)

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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Forward foreign exchange contracts:									
IDR (buy)	3,032,000	IDR	2022.10	-	-	-	-	-	-
BRL (sell)	-	-	-	80,445	BRL	2022.01	-	-	-
INR (sell)	105,832	INR	2022.10	188,766	INR	2022.01	37,163	INR	2021.10
CAD (sell)	400	CAD	2022.10	-	-	-	-	-	-
EUR (sell)	1,000	EUR	2022.10	-	-	-	-	-	-
AUD (sell)	700	AUD	2022.10	1,000	AUD	2022.01	-	-	-
GBP (sell)	-	-	-	500	GBP	2022.01	-	-	-
KRW (sell)	-	-	-	2,144,020	KRW	2022.01	-	-	-
JYP (sell)	-	-	-	-	-	-	50,000	JPY	2021.10

(c) Notes and accounts receivable and other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable for operating activities	\$ 4,615	5,283	1,702
Accounts receivable	3,743,333	3,497,623	3,346,432
Account receivable - related parties	1,096	10,502	1,774
Other receivables	<u>54,274</u>	<u>274,322</u>	<u>70,576</u>
	3,803,318	3,787,730	3,420,484
Less: Loss Provision	<u>(78,470)</u>	<u>(83,158)</u>	<u>(83,023)</u>
	<u><u>\$ 3,724,848</u></u>	<u><u>3,704,572</u></u>	<u><u>3,337,461</u></u>

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivable and other receivables. To measure the expected credit losses, notes and accounts receivable and other receivables have been grouped based on shared credit risk characteristics and ability to pay all due, as well as incorporated forward looking information. The loss provision as of September 30, 2022, December 31, 2021 and September 30, 2021 was determined as follows:

	September 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss provision
Current	\$ 3,274,439	0.29%	9,545
90 days or less past due	436,803	0.26%	1,124
91 to 180 days past due	13,014	12.65%	1,646
181 to 270 days past due	1,848	61.89%	1,144
271 to 360 days past due	623	78.23%	487
More than 360 days past due	<u>76,591</u>	84.24%	<u>64,524</u>
	<u><u>\$ 3,803,318</u></u>		<u><u>78,470</u></u>

(Continued)

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

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss provision
Current	\$ 3,228,796	0.32%	10,413
90 days or less past due	472,980	0.20%	929
91 to 180 days past due	1,159	15.42%	179
181 to 270 days past due	4,927	66.26%	3,265
271 to 360 days past due	1,191	72.12%	859
More than 360 days past due	<u>78,677</u>	85.81%	<u>67,513</u>
	<u>\$ 3,787,730</u>		<u>83,158</u>
	September 30, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss provision
Current	\$ 2,910,987	0.34%	9,761
90 days or less past due	412,997	0.28%	1,159
91 to 180 days past due	8,751	22.66%	1,983
181 to 270 days past due	2,096	43.16%	905
271 to 360 days past due	1,448	71.92%	1,041
More than 360 days past due	<u>82,431</u>	82.70%	<u>68,174</u>
	<u>\$ 3,418,710</u>		<u>83,023</u>

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

	For the nine months ended September 30,	
	2022	2021
Balance at January 1, 2022 and 2021	\$ 83,158	104,954
Expected credit loss reversed	(3,731)	(12,569)
Amounts written off	(10,304)	(5,730)
Others	<u>9,347</u>	<u>(3,632)</u>
Balance at September 30, 2022 and 2021	<u>\$ 78,470</u>	<u>83,023</u>

(d) Finance lease payment receivable

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

(Continued)

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Less than one year	\$ 36,529	30,030	30,221
One to two years	39,985	32,966	32,067
Two to three years	41,226	35,147	35,101
Three to four years	42,504	36,237	36,191
Four to five years	7,210	34,216	37,313
Five years and above	<u>-</u>	<u>-</u>	<u>6,330</u>
Total lease payments receivable	167,454	168,596	177,223
Unearned finance income	<u>(10,652)</u>	<u>(12,717)</u>	<u>(14,047)</u>
Total lease payments receivable (Present value of lease payments receivable)	<u><u>\$ 156,802</u></u>	<u><u>155,879</u></u>	<u><u>163,176</u></u>

(e) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Finished goods	<u><u>\$ 4,035,212</u></u>	<u><u>3,348,193</u></u>	<u><u>3,484,944</u></u>

The operating cost comprises of cost of goods sold, write-down loss (reversal of write-down loss) of inventories to net realizable value, warranty costs and other loss (gain). For the three months ended and the nine months ended September 30, 2022 and 2021, the cost of good sold were \$3,379,410 thousand, \$2,797,214 thousand, \$9,394,035 thousand, and \$7,677,857 thousand, respectively. For the three months ended and the nine months ended September 30, 2022 and 2021 the loss on product warranty, obsolescence and order cancellation amounted to \$99,726 thousand, \$55,329 thousand, \$206,144 thousand and \$204,288 thousand, respectively. For the three months ended and nine months ended September 30, 2022 and 2021, the Consolidated Company recognized write-down loss of inventories to net realizable value of \$82,636 thousand, \$90,298 thousand, \$98,704 thousand and \$149,636 thousand, respectively, because of the shortage of materials and the increase in logistics time to increase stocking.

As of September 30, 2022, December 31, 2021 and September 30, 2021, no inventories were pledged as collateral.

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Associates	<u><u>\$ 1,403,347</u></u>	<u><u>1,407,915</u></u>	<u><u>1,027,828</u></u>

(Continued)

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

(i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Main operating location/ Registered Country of the Company	Ownership interest/Voting rights held		
			September 30, 2022	December 31, 2021	September 30, 2021
Cameo Communication, Inc. (Cameo)	The major business activities are manufacturing and selling of network system equipment and its components, as well as researching and developing of related technologies. It is the supplier of the Consolidated Company.	Taiwan	41.58 %	41.58 %	41.58 %

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 3,789,592	1,693,178	2,223,106
Non-current assets	1,745,985	3,397,654	1,995,895
Current liabilities	1,436,194	875,644	981,232
Non-current liabilities	<u>917,083</u>	<u>1,084,837</u>	<u>1,010,920</u>
Net assets	<u>\$ 3,182,300</u>	<u>3,130,351</u>	<u>2,226,849</u>
Net assets attributable to investee's shareholders	<u>\$ 3,182,300</u>	<u>3,130,351</u>	<u>2,226,849</u>
	For the three months ended September 30,	For the nine months ended September 30,	
	2022	2021	2021
Operating revenue	<u>\$ 1,069,207</u>	<u>535,141</u>	<u>2,301,151</u>
Net income (loss)	<u>\$ 80,792</u>	<u>(212,005)</u>	<u>45,965</u>
Other comprehensive income (loss)	<u>480</u>	<u>(5,091)</u>	<u>5,984</u>
Total comprehensive income (loss)	<u>\$ 81,272</u>	<u>(217,096)</u>	<u>51,949</u>
Total comprehensive income (loss) attributable to investee's shareholders	<u>\$ 81,272</u>	<u>(217,096)</u>	<u>51,949</u>

(Continued)

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

	For the nine months ended September 30,	
	2022	2021
The Consolidated Company's share in associate's net assets at beginning of year	\$ 1,301,552	-
Comprehensive income (loss) attributable to the Consolidated Company	21,599	(186,092)
Increase of investment	<u>-</u>	<u>1,111,982</u>
The Consolidated Company's share in associate's net assets at end of year	1,323,151	925,890
Less: unrealized gains	(31,917)	(12,163)
Add: goodwill	<u>102,489</u>	<u>102,489</u>
Carrying amounts of investments accounted for using equity method	<u><u>\$ 1,393,723</u></u>	<u><u>1,016,216</u></u>

2) The financial information of insignificant associates

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

	September 30, 2022	December 31, 2021	September 30, 2021	
Carrying amounts of insignificant associates	<u>\$ 9,624</u>	<u>13,059</u>	<u>11,612</u>	
	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Attributable to the Consolidated Company				
Loss from continuing operations	\$ (304)	(886)	(5,677)	(1,397)
Other comprehensive income (loss)	<u>306</u>	<u>(77)</u>	<u>2,242</u>	<u>524</u>
Total comprehensive income (loss)	<u><u>\$ 2</u></u>	<u><u>(963)</u></u>	<u><u>(3,435)</u></u>	<u><u>(873)</u></u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Cameo	<u>\$ 1,237,797</u>	<u>1,567,876</u>	<u>1,650,396</u>

(Continued)

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

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

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

(ii) Pledges

As of September 30, 2022, December 31, 2021 and September 30, 2021, no investment accounted for using equity methods has been pledged as collateral.

(g) Subsidiaries have material non-controlling interests

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

Name of subsidiary	Main operating location/ Registered country of the Company	Ownership interests/voting rights held by NCI		
		September 30, 2022	December 31, 2021	September 30, 2021
D-Link India	India	48.98 %	48.98 %	48.98 %

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 1,795,262	1,624,500	1,535,788
Non-current assets	579,240	541,480	545,017
Current liabilities	711,482	753,636	691,053
Non-current liabilities	<u>18,403</u>	<u>15,976</u>	<u>19,129</u>
Net assets	<u>\$ 1,644,617</u>	<u>1,396,368</u>	<u>1,370,623</u>
Net assets attributable to non-controlling interests	<u>\$ 634,882</u>	<u>524,978</u>	<u>511,358</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating revenues	\$ <u>1,110,985</u>	<u>910,522</u>	<u>3,226,549</u>	<u>2,323,006</u>
Net profit	\$ 93,245	50,940	208,267	125,352
Other comprehensive income (loss)	<u>48,920</u>	<u>1,176</u>	<u>60,016</u>	<u>(38,878)</u>
Total comprehensive income	\$ <u>142,165</u>	<u>52,116</u>	<u>268,283</u>	<u>86,474</u>
Net income attributable to non- controlling interests	\$ <u>45,671</u>	<u>24,951</u>	<u>102,009</u>	<u>61,398</u>
Total comprehensive income attributable to non- controlling interests	\$ <u>69,632</u>	<u>25,527</u>	<u>131,405</u>	<u>42,356</u>
Cash flows used in operating activities			\$ (57,992)	(839)
Cash flows from (used in) investing activities			97,338	(66,994)
Cash flows used in financing activities			(41,182)	(24,061)
Net decrease in cash and cash equivalents			\$ <u>(1,836)</u>	<u>(91,894)</u>

(h) Property, plant and equipment

	For the nine months ended September 30, 2022				Balance at September 30, 2022
	Balance at January 1, 2022	Increase	Decrease	Others	
Cost:					
Land	\$ 544,139	-	-	6,132	550,271
Buildings	864,812	419	-	81,956	947,187
Others	<u>1,223,381</u>	<u>35,462</u>	<u>(28,969)</u>	<u>54,694</u>	<u>1,284,568</u>
	<u>2,632,332</u>	<u>35,881</u>	<u>(28,969)</u>	<u>142,782</u>	<u>2,782,026</u>
Accumulated depreciation:					
Buildings	546,482	12,210	-	26,003	584,695
Others	<u>1,111,125</u>	<u>47,455</u>	<u>(28,417)</u>	<u>52,683</u>	<u>1,182,846</u>
	<u>1,657,607</u>	<u>59,665</u>	<u>(28,417)</u>	<u>78,686</u>	<u>1,767,541</u>
	\$ <u>974,725</u>	<u>(23,784)</u>	<u>(552)</u>	<u>64,096</u>	<u>1,014,485</u>

(Continued)

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

For the nine months ended September 30, 2021

	Balance at January 1, 2021	Increase	Decrease	Others	Balance at September 30, 2021
Cost:					
Land	\$ 544,586	-	-	(98)	544,488
Buildings	875,425	436	-	(6,532)	869,329
Others	<u>1,360,132</u>	<u>24,871</u>	<u>(114,917)</u>	<u>(25,407)</u>	<u>1,244,679</u>
	<u>2,780,143</u>	<u>25,307</u>	<u>(114,917)</u>	<u>(32,037)</u>	<u>2,658,496</u>
Accumulated depreciation:					
Buildings	534,595	11,739	-	(2,397)	543,937
Others	<u>1,215,877</u>	<u>53,268</u>	<u>(114,322)</u>	<u>(22,763)</u>	<u>1,132,060</u>
	<u>1,750,472</u>	<u>65,007</u>	<u>(114,322)</u>	<u>(25,160)</u>	<u>1,675,997</u>
	<u>\$ 1,029,671</u>	<u>(39,700)</u>	<u>(595)</u>	<u>(6,877)</u>	<u>982,499</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, no property, plant and equipment has been pledged as collateral.

(i) Right-of-use assets

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

	Buildings	Office equipment	Transportation equipment	Total
Cost:				
Balance at January 1, 2022	\$ 457,383	8,077	48,109	513,569
Increase	69,480	-	8,800	78,280
Decrease	(98,860)	(334)	(15,443)	(114,637)
Others	<u>22,231</u>	<u>303</u>	<u>(693)</u>	<u>21,841</u>
Balance at September 30, 2022	<u>\$ 450,234</u>	<u>8,046</u>	<u>40,773</u>	<u>499,053</u>
Balance at January 1, 2021	\$ 644,005	8,047	58,254	710,306
Increase	132,392	3,863	3,256	139,511
Decrease	(278,281)	(2,771)	(6,593)	(287,645)
Others	<u>(26,391)</u>	<u>(490)</u>	<u>(4,156)</u>	<u>(31,037)</u>
Balance at September 30, 2021	<u>\$ 471,725</u>	<u>8,649</u>	<u>50,761</u>	<u>531,135</u>
Accumulated Depreciation:				
Balance at January 1, 2022	\$ 203,434	2,173	29,787	235,394
Increase	84,273	1,559	10,378	96,210
Decrease	(88,882)	(334)	(13,682)	(102,898)
Others	<u>7,429</u>	<u>100</u>	<u>(272)</u>	<u>7,257</u>
Balance at September 30, 2022	<u>\$ 206,254</u>	<u>3,498</u>	<u>26,211</u>	<u>235,963</u>

(Continued)

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

	Buildings	Office equipment	Transportation equipment	Total
Balance at January 1, 2021	\$ 212,885	3,080	24,183	240,148
Increase	95,643	1,726	12,978	110,347
Decrease	(103,380)	(2,651)	(4,687)	(110,718)
Others	(8,442)	(157)	(2,109)	(10,708)
Balance at September 30, 2021	<u>\$ 196,706</u>	<u>1,998</u>	<u>30,365</u>	<u>229,069</u>
Carrying amount:				
Balance at January 1, 2022	<u>\$ 253,949</u>	<u>5,904</u>	<u>18,322</u>	<u>278,175</u>
Balance at September 30, 2022	<u>\$ 243,980</u>	<u>4,548</u>	<u>14,562</u>	<u>263,090</u>
Balance at September 30, 2021	<u>\$ 275,019</u>	<u>6,651</u>	<u>20,396</u>	<u>302,066</u>

The Consolidated Company leases offices and warehouses under an operating lease for the nine months ended September 30, 2022 and 2021, please refer to note 6(q).

(j) Investment property

For the nine months ended September 30, 2022

	Balance at January 1, 2022	Increase	Decrease	Balance at September 30, 2022
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>12,320</u>	<u>297</u>	<u>-</u>	<u>12,617</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 38,876</u>	<u>(297)</u>	<u>-</u>	<u>38,579</u>

For the nine months ended September 30, 2021

	Balance at January 1, 2021	Increase	Decrease	Balance at September 30, 2021
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>

(Continued)

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

For the nine months ended September 30, 2021

	Balance at January 1, 2021	Increase	Decrease	Balance at September 30, 2021
Accumulated Depreciation:				
Buildings	11,924	297	-	12,221
Accumulated impairment:				
Buildings	1,000	-	-	1,000
	<u>\$ 39,272</u>	<u>(297)</u>	<u>-</u>	<u>38,975</u>
		September 30, 2022	December 31, 2021	September 30, 2021
Book value		<u>\$ 38,579</u>	<u>38,876</u>	<u>38,975</u>
Fair value		<u>\$ 65,445</u>	<u>51,328</u>	<u>51,328</u>

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(x). Besides, direct operating expenses related to investment property were \$0 thousand and \$0 thousand, \$286 thousand, and \$290 thousand for the three months ended and the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

As of September 30, 2022, December 31, 2021 and September 30, 2021, no investment property has been pledged as collateral.

(k) Intangible assets

For the nine months ended September 30, 2022

	Balance at January 1, 2022	Increase	Decrease	Amortization	Others	Balance at September 30, 2022
Goodwill	\$ 287,518	-	-	-	25,174	312,692
Trademark	132,660	-	-	-	19,418	152,078
Patents	15,027	-	-	(2,019)	-	13,008
Computer software costs	19,139	559	-	(12,417)	-	7,281
Other intangible assets	17,894	30,046	(27)	(9,658)	(21)	38,234
	<u>\$ 472,238</u>	<u>30,605</u>	<u>(27)</u>	<u>(24,094)</u>	<u>44,571</u>	<u>523,293</u>

(Continued)

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

For the nine months ended September 30, 2021

	Balance at January 1, 2021	Increase	Decrease	Amortization	Others	Balance at September 30, 2021
Goodwill	\$ 295,459	-	-	-	(6,365)	289,094
Trademark	136,579	-	-	-	(3,076)	133,503
Patents	17,719	-	-	(2,019)	-	15,700
Computer software costs	43,113	3,689	(2,321)	(19,517)	-	24,964
Other intangible assets	18,459	6,892	-	(13,041)	(347)	11,963
	<u>\$ 511,329</u>	<u>10,581</u>	<u>(2,321)</u>	<u>(34,577)</u>	<u>(9,788)</u>	<u>475,224</u>

(l) Long-term and short-term borrowings

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

(i) Short-term loans

	Currency	Interest rate	Maturity year	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	TWD	1.4%	2022	\$ <u>180,000</u>	<u>-</u>	<u>-</u>
Unused line of credit				\$ <u>4,022,053</u>	<u>4,234,496</u>	<u>4,252,977</u>

(ii) Long-term loans

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Consolidated Company had no long-term loans. The Consolidated Company's unused line of credit for long-term loans were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Unused line of credit	\$ <u>-</u>	<u>500,000</u>	<u>500,000</u>

(m) Other Payables

	September 30, 2022	December 31, 2021	September 30, 2021
Salary payable	\$ 310,948	321,201	406,926
Dividend payable	520	531	11,291
Capital deduction payable	-	-	521,596
Other payable-other	<u>636,634</u>	<u>586,118</u>	<u>804,011</u>
	<u>\$ 948,102</u>	<u>907,850</u>	<u>1,743,824</u>

(Continued)

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

(n) Lease liabilities

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ <u>136,027</u>	<u>142,551</u>	<u>149,594</u>
Non-current	\$ <u>289,145</u>	<u>297,900</u>	<u>321,487</u>

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interests on lease liabilities	\$ <u>3,447</u>	<u>4,140</u>	<u>10,577</u>	<u>12,948</u>
Expenses relating to short-term leases	\$ <u>13,457</u>	<u>11,956</u>	<u>40,399</u>	<u>35,262</u>
COVID-19-related rent concessions	\$ <u>-</u>	<u>(21)</u>	<u>(23)</u>	<u>(43)</u>

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

	For the nine months ended September 30,	
	2022	2021
Total cash outflow for leases	\$ <u>144,512</u>	<u>213,571</u>

(i) Real estate leases

As of September 30, 2022, the Consolidated Company leases buildings for its office space. The leases of office space typically run for one to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

(Continued)

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

(o) Current provisions

For the nine months ended September 30, 2022

	Balance at January 1, 2022	Increased	Used	Reversed	Effect of exchange	Balance at September 30, 2022
Warranties	\$ 114,732	6,437	(12,209)	-	(1,287)	107,673
Legal proceedings and royalties	<u>119,067</u>	<u>106,963</u>	<u>-</u>	<u>(34,134)</u>	<u>14,434</u>	<u>206,330</u>
	<u>\$ 233,799</u>	<u>113,400</u>	<u>(12,209)</u>	<u>(34,134)</u>	<u>13,147</u>	<u>314,003</u>

For the nine months ended September 30, 2021

	Balance at January 1, 2021	Increased	Used	Reversed	Effect of exchange	Balance at September 30, 2021
Warranties	\$ 127,303	8,639	(16,373)	-	(3,056)	116,513
Legal proceedings and royalties	<u>132,650</u>	<u>8,127</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(663)</u>	<u>75,238</u>
	<u>\$ 259,953</u>	<u>16,766</u>	<u>(25,621)</u>	<u>(55,628)</u>	<u>(3,719)</u>	<u>191,751</u>

(p) Refund liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Refund liabilities	<u>\$ 456,742</u>	<u>456,699</u>	<u>486,313</u>

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

(q) Operating leases

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Within one year	\$ 4,405	353	578
One to two years	<u>692</u>	<u>-</u>	<u>-</u>
Total undiscounted lease payments	<u>\$ 5,097</u>	<u>353</u>	<u>578</u>

(Continued)

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

(r) Employee benefits

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension costs in the interim consolidated financial statements were measured and disclosed according to the actuarial report for the years ended December 31, 2021 and 2020.

(i) Defined benefit pension plans

The expenses recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating costs	\$ <u>2</u>	<u>4</u>	<u>8</u>	<u>11</u>
Operating expenses	\$ <u>154</u>	<u>215</u>	<u>459</u>	<u>644</u>

(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 Company's mainland subsidiaries have the basic endowment insurance in accordance with the pension regulations in China. Monthly contributions to an independent fund administered by the government are based on certain percentage of employees' monthly salaries and wages and recognize as the current year's expenses. D-Link Europe and other consolidated subsidiaries' pension expenses are based on the current contributions.

The amount of the Consolidated Company's pension expenses under defined contribution pension plans was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating costs	\$ <u>2,352</u>	<u>1,522</u>	<u>5,174</u>	<u>4,396</u>
Operating expenses	\$ <u>30,111</u>	<u>32,040</u>	<u>83,681</u>	<u>96,928</u>

(s) Income Taxes

Income tax expenses are measured by the profit (loss) before tax in the interim consolidated financial statements multiplied by the effective tax rate for the whole year of the management's best estimation.

(Continued)

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Current income tax expense	\$ 46,625	17,066	82,291	45,735
Deferred tax expense				
Origination and reversal of temporary differences	<u>(23,347)</u>	<u>(6,212)</u>	<u>37,519</u>	<u>27,863</u>
Income tax expenses	<u>\$ 23,278</u>	<u>10,854</u>	<u>119,810</u>	<u>73,598</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>\$ 42,297</u>	<u>(3,186)</u>	<u>149,026</u>	<u>(33,350)</u>

The income tax return of the Company has been examined by the tax authority through 2019. The income tax return of Yeotai has been examined by the tax authority through 2020.

(t) Capital and other equity

(i) Common stock

As of September 30, 2022, December 31, 2021 and September 30, 2021, the authorized capital amounted to \$8,800,000 thousand (including \$750,000 thousand authorized for the issuance of the employee stock options). As of September 30, 2022, December 31, 2021 and September 30, 2021, all the paid-in capital consisted 599,837 thousand shares, with a par value of \$10 per share, amounting to \$5,998,365 thousand.

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

(Continued)

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

(ii) Capital surplus

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

	September 30, 2022	December 31, 2021	September 30, 2021
Common stock in excess of par value	\$ 1,037,080	1,217,030	1,217,030
Treasury share transactions	39,310	39,310	39,310
Expiry of share-based payment transactions	129,459	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>	<u>55,320</u>
Total	<u>\$ 1,342,623</u>	<u>1,522,573</u>	<u>1,522,573</u>

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

On March 29, 2022, the Company's Board of Directors decided to distribute the cash dividends by using the capital surplus of \$0.3 per share, with the ex-dividend base date and cash payment date set on August 2, 2022 and August 31, 2022, respectively.

(iii) Retained earnings

1) Legal reserve

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

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

(Continued)

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

2) Special reserve

In accordance with Ruling issued by the Financial Supervisory commission, a special reserve equivalent to the net debit balance of other shareholders' equity shall be set aside from the current earnings and the prior unappropriated earnings. The Company shall not distribute the special reserve equivalent to the net debit balance of shareholders' equity from the prior fiscal years set aside from the prior unappropriated earnings. The amount of subsequent reversals pertaining to the net debt balance of other shareholders' equity shall qualify for distribution.

3) Earning distribution

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

The Company's appropriation of earnings for 2021 has no earnings to distribute after earnings being retained as legal reserve and special earnings. The appropriation of earnings for 2021 was approved by the shareholders' meeting on May 27, 2022.

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

4) Dividend policy

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

(Continued)

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

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (1,863,596)	(2,439)
The Consolidated Company	715,207	(16,624)
Associates	14,445	(9,715)
Associates-liquidation	<u>-</u>	<u>924</u>
Balance at September 30, 2022	<u><u>\$ (1,133,944)</u></u>	<u><u>(27,854)</u></u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	\$ (1,520,585)	(88,606)
The Consolidated Company	(254,812)	39,057
Associates	(2,749)	(13,262)
Disposal	<u>-</u>	<u>56,662</u>
Balance at September 30, 2021	<u><u>\$ (1,778,146)</u></u>	<u><u>(6,149)</u></u>

(v) Non-controlling interests

	For the nine months ended September 30,	
	2022	2021
Balance at the beginning of the period	\$ 524,978	480,860
Net income attributable to non-controlling interest:		
Net income	102,009	61,398
Exchange differences on translation of foreign financial statements	29,396	(19,042)
Cash dividends distributed by subsidiaries	<u>(21,501)</u>	<u>(11,858)</u>
Balance at the end of the period	<u><u>\$ 634,882</u></u>	<u><u>511,358</u></u>

(Continued)

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

(u) Earnings (loss) per share

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

(i) Basic earnings (loss) per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net profit (loss) of the parent company for the year	\$ <u>1,885</u>	<u>(26,978)</u>	<u>(174,643)</u>	<u>(185,373)</u>
Outstanding ordinary shares	<u>599,837</u>	<u>634,610</u>	<u>599,837</u>	<u>646,201</u>
Basic earnings (loss) per share	\$ <u>-</u>	<u>(0.04)</u>	<u>(0.29)</u>	<u>(0.29)</u>

(ii) Diluted earnings (loss) per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net profit (loss) of the parent company for the year	\$ <u>1,885</u>	<u>(26,978)</u>	<u>(174,643)</u>	<u>(185,373)</u>
Weighted average number of ordinary shares (diluted)	<u>599,837</u>	<u>634,610</u>	<u>599,837</u>	<u>646,201</u>
Diluted earnings (loss) per share	\$ <u>-</u>	<u>(0.04)</u>	<u>(0.29)</u>	<u>(0.29)</u>

Due to the antidilutive effect of the employees' compensation stock option for the nine months ended September 30, 2022 and 2021, the employees' compensation stock option was not considered when calculating the diluted earnings (loss) per share.

(Continued)

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

(v) Revenue from contracts with customers

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

Major product / service lines	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Network communication products	\$ 4,434,480	3,918,061	12,514,506	11,113,913
Services	<u>50,515</u>	<u>39,646</u>	<u>142,289</u>	<u>110,375</u>
	<u>\$ 4,484,995</u>	<u>3,957,707</u>	<u>12,656,795</u>	<u>11,224,288</u>

Primary geographical markets	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
European	\$ 1,110,379	1,183,296	3,359,189	3,648,209
Asia and others	<u>3,374,616</u>	<u>2,774,411</u>	<u>9,297,606</u>	<u>7,576,079</u>
	<u>\$ 4,484,995</u>	<u>3,957,707</u>	<u>12,656,795</u>	<u>11,224,288</u>

(ii) Contract liabilities

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current contract liabilities (sales)	\$ <u>229,079</u>	<u>134,833</u>	<u>142,102</u>

2) The beginning contract liabilities were recognized as income of \$12,398 thousand, \$14,649 thousand, \$78,611 thousand, and \$63,188 thousand for the three months ended and the nine months ended September 30, 2022 and 2021, respectively.

(w) Employees' compensation and Directors' remuneration

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

(Continued)

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

meeting. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific conditions.

The Company was not required to accrue Employee compensation and Directors' remuneration due to the loss for the nine months ended September 30, 2022 and 2021.

In 2021, the Company estimated its Employees' compensation amounting to \$12,621 thousand and Directors' remuneration amounting to \$1,262 thousand. Employees' compensation and Directors' remuneration had been proposed in the Board meeting held on March 29, 2022, and proposed report at the shareholders' meeting. Related information would be available at the Market Observation Post System website.

(x) Other income and losses

(i) Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest income from bank deposits	\$ 4,636	4,609	10,152	13,323
Other interest income	<u>1,231</u>	<u>-</u>	<u>3,976</u>	<u>-</u>
Total	<u>\$ 5,867</u>	<u>4,609</u>	<u>14,128</u>	<u>13,323</u>

(ii) Other income

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Rent income	\$ 1,241	590	3,863	1,468
Dividend income	<u>578</u>	<u>-</u>	<u>578</u>	<u>-</u>
Total	<u>\$ 1,819</u>	<u>590</u>	<u>4,441</u>	<u>1,468</u>

(Continued)

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

(iii) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Gain on disposals of investments	\$ 1,790	1,593	6,471	4,112
Foreign exchange losses	(49,826)	(1,081)	(238,363)	(26,302)
Valuation gains (losses) from financial assets and liabilities	54,373	3,658	79,259	(3,984)
Others	16,669	6,955	31,945	38,744
Total	<u>\$ 23,006</u>	<u>11,125</u>	<u>(120,688)</u>	<u>12,570</u>

(iv) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest expense	\$ (848)	(2,276)	(2,277)	(7,535)
Lease liability interests	(3,447)	(4,140)	(10,577)	(12,948)
Total	<u>\$ (4,295)</u>	<u>(6,416)</u>	<u>(12,854)</u>	<u>(20,483)</u>

(y) Reclassification adjustments of components of other comprehensive income

Details of the reclassification adjustments of components of other comprehensive income were summarized as follow:

	For the nine months ended September 30,	
	2022	2021
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ 864,233	(288,162)
Change in exchange from non-controlling interests	29,396	(19,042)
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u>\$ 893,629</u>	<u>(307,204)</u>
Share of other comprehensive income of associates accounted for using equity method		
Change in foreign currency exchange from associates	\$ 14,445	(2,749)
Share of other comprehensive income	<u>\$ 14,445</u>	<u>(2,749)</u>

(Continued)

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

(z) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	September 30, 2022	December 31, 2021	September 30, 2021
Cash and cash equivalents	\$ 3,030,904	2,195,080	3,214,449
Financial assets at fair value through profit or loss - current	248,170	279,344	300,571
Notes receivable, accounts receivable and other receivables (including related parties)	3,724,848	3,704,572	3,337,461
Finance lease payment receivable (current and non-current)	156,802	155,879	163,176
Financial assets at fair value through other comprehensive income - non-current	16,265	33,300	72,869
Refundable deposits and other current assets	<u>81,993</u>	<u>77,143</u>	<u>78,174</u>
	<u>\$ 7,258,982</u>	<u>6,445,318</u>	<u>7,166,700</u>

2) Financial liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Short-term loans	\$ 180,000	-	-
Financial liabilities at fair value through profit or loss - current	2,397	16,368	16,549
Notes payable, accounts payable and other payables (including related parties)	4,204,960	3,532,487	4,463,740
Lease liability (current and non- current)	425,172	440,451	471,081
Guarantee deposits received	<u>84,954</u>	<u>82,860</u>	<u>75,509</u>
	<u>\$ 4,897,483</u>	<u>4,072,166</u>	<u>5,026,879</u>

(Continued)

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

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of September 30, 2022, December 31, 2021 and September 30, 2021, the maximum exposure to credit risk has amounted to \$7,258,982 thousand, \$6,445,318 thousand and \$7,166,700 thousand, respectively.

(iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
September 30, 2022							
Non-derivative financial liabilities							
Short-term loans	\$ 180,000	180,635	180,635	-	-	-	-
Notes payable	2,217	2,217	2,217	-	-	-	-
Accounts payable	2,347,453	2,347,453	2,347,453	-	-	-	-
Accounts payable - related parties	907,188	907,188	907,188	-	-	-	-
Other payables	948,102	948,102	948,102	-	-	-	-
Lease liability	425,172	451,548	77,887	70,238	120,818	176,634	5,971
Guarantee deposits received	84,954	84,954	84,954	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 2,106	178,144	178,144	-	-	-	-
Inflow	-	175,461	175,461	-	-	-	-
Forward foreign exchange contracts							
Outflow	291	102,162	102,162	-	-	-	-
Inflow	-	102,385	102,385	-	-	-	-
	<u>\$ 4,897,483</u>	<u>5,480,249</u>	<u>5,106,588</u>	<u>70,238</u>	<u>120,818</u>	<u>176,634</u>	<u>5,971</u>

(Continued)

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

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2021							
Non-derivative financial liabilities							
Notes payable	\$ 11	11	11	-	-	-	-
Accounts payable	2,336,740	2,336,740	2,336,740	-	-	-	-
Accounts payable - related parties	287,886	287,886	287,886	-	-	-	-
Other payables	907,850	907,850	907,850	-	-	-	-
Lease liability	440,451	469,512	83,910	70,557	101,921	202,940	10,184
Guarantee deposits received	82,860	82,860	82,860	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 13,722	1,883,133	1,883,133	-	-	-	-
Inflow	-	1,869,634	1,869,634	-	-	-	-
Forward foreign exchange contracts							
Outflow	2,646	558,157	558,157	-	-	-	-
Inflow	-	545,260	545,260	-	-	-	-
	<u>\$ 4,072,166</u>	<u>8,941,043</u>	<u>8,555,441</u>	<u>70,557</u>	<u>101,921</u>	<u>202,940</u>	<u>10,184</u>
	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
September 30, 2021							
Non-derivative financial liabilities							
Notes payable	\$ 198	198	198	-	-	-	-
Accounts payable	2,552,380	2,552,380	2,552,380	-	-	-	-
Accounts payable - related parties	167,338	167,338	167,338	-	-	-	-
Other payables	1,743,824	1,743,824	1,743,824	-	-	-	-
Lease liability	471,081	503,192	84,735	77,734	107,248	214,629	18,846
Guarantee deposits received	75,509	75,509	75,509	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 16,534	2,955,807	2,955,807	-	-	-	-
Inflow	-	2,432,074	2,432,074	-	-	-	-
Forward foreign exchange contracts							
Outflow	15	715,282	715,282	-	-	-	-
Inflow	-	728,016	728,016	-	-	-	-
	<u>\$ 5,026,879</u>	<u>11,873,620</u>	<u>11,455,163</u>	<u>77,734</u>	<u>107,248</u>	<u>214,629</u>	<u>18,846</u>

The Consolidated 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 AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Currency risk

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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets (note):									
Monetary items:									
CLP	\$ 61,725	0.03	2,028	94,235	0.04	3,069	102,435	0.04	3,516
JPY	1,486,312	0.22	325,986	1,051,213	0.24	253,026	876,563	0.25	219,483
CAD	7,564	22.96	173,650	11,342	21.74	246,587	11,190	21.98	245,940
USD	214,318	31.74	6,803,097	173,724	27.69	4,810,424	166,761	27.87	4,646,968
MXN	-	-	-	2,274	1.38	3,059	2,386	1.38	3,244
BRL	15,277	5.87	89,692	41,159	4.96	204,229	26,502	5.12	135,772
AUD	6,090	20.32	123,753	5,750	20.08	115,478	5,324	20.12	107,111
			<u>\$ 7,518,206</u>			<u>5,635,872</u>			<u>5,362,034</u>
Non-monetary items:									
USD	\$ 5,826	31.74	<u>184,950</u>	10,210	27.69	<u>282,716</u>	10,359	27.87	<u>288,674</u>
Derivative instruments:									
GBP	\$ 18	35.43	649	-	-	-	17	37.54	644
AUD	129	20.32	2,629	-	-	-	12	20.12	246
EUR	230	31.11	7,169	14	31.36	437	249	32.27	8,026
USD	697	31.74	22,137	-	-	-	12	27.87	321
JPY	32,340	0.22	7,093	1,163	0.24	280	2,125	0.25	532
RUB	-	-	-	-	-	-	44	0.38	17
BRL	1,115	5.87	6,545	-	-	-	1,148	5.12	5,881
CNH	4,032	4.46	17,991	-	-	-	-	-	-
CAD	62	22.96	1,412	-	21.74	4	3	21.98	64
IDR	295,454	0.0021	616	-	-	-	-	-	-
KRW	58,885	0.03	1,584	-	-	-	10,595	0.03	285
			<u>\$ 67,825</u>			<u>721</u>			<u>16,016</u>
Financial liabilities (note):									
Monetary items:									
JPY	\$ 2,014,148	0.22	441,754	1,949,949	0.24	469,350	1,914,981	0.25	479,494
CAD	668	22.96	15,333	888	21.74	19,316	1,038	21.98	22,818
EUR	2	31.11	74	10,051	31.36	315,254	10,047	32.27	324,218
BRL	21,026	5.87	123,449	21,834	4.96	108,341	22,975	5.12	117,699
USD	142,645	31.74	4,528,009	114,882	27.69	3,181,083	145,224	27.87	4,046,809
CLP	142,106	0.03	4,670	162,786	0.04	5,301	159,136	0.04	5,462
AUD	1,488	20.32	30,233	1,668	20.08	33,494	2,212	20.12	44,505
MXN	-	-	-	111	1.38	150	115	1.38	156
			<u>\$ 5,143,522</u>			<u>4,132,289</u>			<u>5,041,161</u>

(Continued)

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

	September 30, 2022			December 31, 2021			September 30, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Derivative instruments:										
EUR	\$	5	31.11	144	119	31.36	3,736	155	32.27	4,994
GBP	-	-	-	-	16	37.39	607	-	-	-
CAD	1	22.96	15	9	21.74	187	14	21.98	301	
JPY	9,602	0.22	2,106	29,626	0.24	7,131	30,536	0.25	7,646	
IDR	13,909	-	29	-	-	-	-	-	-	
KRW	-	-	-	3,866	0.03	104	-	-	-	
BRL	-	-	-	264	4.96	1,309	-	-	-	
USD	1	31.74	33	46	27.69	1,278	76	27.87	2,117	
CNH	-	-	-	331	4.34	1,439	345	4.32	1,491	
AUD	3	20.32	70	12	20.08	243	-	-	-	
RUB	-	-	-	896	0.37	334	-	-	-	
			<u>\$ 2,397</u>			<u>16,368</u>			<u>16,549</u>	

Note: Disclosure in the consolidated financial statements of the financial assets and liabilities in foreign currency is limited to information on subsidiaries directly held by the Company.

Since the Consolidated Company has various functional currencies, the information on foreign currency exchange gains and losses on monetary items is aggregately disclosed by total amount. The total foreign currency exchange losses, including realized and unrealized, were \$49,826 thousand, \$1,081 thousand, \$238,363 thousand, and \$26,302 thousand for the three months ended and the nine months ended September 30, 2022 and 2021, respectively.

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency for the nine months ended September 30, 2022 and 2021 would have increased or decreased the net income (loss) after tax by \$31,445 thousand and \$7,259 thousand and increased or decreased the equity by \$69 thousand and \$62 thousand, respectively, assuming all other variables were held constant.

(v) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

(Continued)

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

September 30, 2022				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 180,345	180,345	-	-
Financial assets at fair value through other comprehensive income	16,265	11,660	-	4,605
Derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	67,825	-	67,825	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	2,397	-	2,397	-
December 31, 2021				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 278,623	278,623	-	-
Financial assets at fair value through other comprehensive income	33,300	29,207	-	4,093
Derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	721	-	721	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	16,368	-	16,368	-

(Continued)

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

Assets and liabilities	September 30, 2021			
	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 284,555	284,555	-	-
Financial assets at fair value through other comprehensive income	72,869	68,750	-	4,119
Derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	16,016	-	16,016	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	16,549	-	16,549	-

2) Valuation techniques

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

3) Transfer between Level 1 and Level 2

For the three months ended and nine months ended September 30, 2022 and 2021, there were no transfers between level 1 and level 2 of the fair value hierarchy.

4) Reconciliation of level 3 fair values

	Financial assets at fair value through other comprehensive income
Balance at January 1, 2022	\$ 4,093
Recognized in other comprehensive income	<u>512</u>
Balance at September 30, 2022	<u>\$ 4,605</u>
Balance at January 1, 2021	\$ 3,739
Recognized in other comprehensive loss	<u>380</u>
Balance at September 30, 2021	<u>\$ 4,119</u>

(Continued)

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

For the nine months ended September 30, 2022 and 2021, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,		
	2022	2021	2022	2021	
Total gains and losses recognized:					
In other comprehensive income, and presented in “unrealized gains (losses) from financial assets at fair value through other comprehensive income”	\$	316	1,600	512	380

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

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

Quantified information of significant unobservable inputs was as follows:

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

- (vi) Assets and liabilities not measured at fair value

- 1) Information of fair value

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

	September 30, 2022		December 31, 2021		September 30, 2021	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-financial assets:						
Investment property	\$ <u>38,579</u>	<u>65,445</u>	<u>38,876</u>	<u>51,328</u>	<u>38,975</u>	<u>51,328</u>

(Continued)

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

		September 30, 2022		
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 65,445	-	-	65,445
		December 31, 2021		
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 51,328	-	-	51,328
		September 30, 2021		
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 51,328	-	-	51,328

2) Valuation techniques

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

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

(aa) Financial risk management

(i) Overview

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

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the political and economic stability of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Consolidated Company operates worldwide, and thus, risk is diversified. As of September 30, 2022, December 31, 2021 and September 30, 2021, revenue from each customer does not exceed 10% of the Consolidated Company's revenue, therefore, there is no concentration of credit risk.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

2) Investment in securities and derivative financial instruments

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

3) Guarantees

The Consolidated Company's policies is to provide financial guarantees only to wholly owned subsidiaries. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Consolidated Company has not provided any guarantees to a third party.

(iv) Liquidity risk

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company had unused credit facilities for \$4,022,053 thousand as of September 30, 2022.

(v) Market risk

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

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

1) Currency risk

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

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

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

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

(Continued)

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

2) Interest rate risk

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

3) Other price risks

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

(ab) Capital management

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

Debt-to-equity ratio:

	September 30, 2022	December 31, 2021	September 30, 2021
Total liabilities	\$ 6,445,822	5,501,528	6,383,672
Less: cash and cash equivalents	<u>(3,030,904)</u>	<u>(2,195,080)</u>	<u>(3,214,449)</u>
Net debt	<u>\$ 3,414,918</u>	<u>3,306,448</u>	<u>3,169,223</u>
Total equity	<u>\$ 9,460,960</u>	<u>9,002,336</u>	<u>8,635,781</u>
Debt-to-equity ratio	<u>36.09%</u>	<u>36.73%</u>	<u>36.70%</u>

As of September 30, 2022, the methods of the Consolidated Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the nine months ended September 30, 2022 and 2021 were as follows:

- (i) For right-to-use assets, please refer to note 6(i).

(Continued)

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

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	Non-cash changes					September 30, 2022
	January 1, 2022	Cash flows	Exchange	Fair value changes	Others	
Short-term loans	\$ -	180,000	-	-	-	180,000
Lease liabilities	440,451	(93,536)	-	-	78,257	425,172
Others	<u>82,860</u>	<u>2,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,954</u>
Total liabilities from financing activities	<u>\$ 523,311</u>	<u>88,558</u>	<u>-</u>	<u>-</u>	<u>78,257</u>	<u>690,126</u>

	Non-cash changes					September 30, 2021
	January 1, 2021	Cash flows	Exchange	Fair value changes	Others	
Lease liabilities	\$ 496,974	(165,361)	-	-	139,468	471,081
Others	<u>70,284</u>	<u>5,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,509</u>
Total liabilities from financing activities	<u>\$ 567,258</u>	<u>(160,136)</u>	<u>-</u>	<u>-</u>	<u>139,468</u>	<u>546,590</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Consolidated Company
Cameo Communication, Inc.	An associate (Due to increasing shareholding in February 2021, the Consolidated Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)
Perfect Choice Co., Ltd.	An associate
T-COM, LLC (T-COM)	An associate
Yeochia Investment Ltd.	An associate (The company was liquidated in July, 2022)
Yeomao Investment Inc.	An associate (The company was liquidated in October, 2022)
Amigo Technology Inc.	Other related party
Amit Wireless Inc.	Other related party
Sapido Technology Inc.	Other related party
E-Sheng Steel Co., Ltd.	Other related party

(Continued)

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

(b) Significant related party transactions

(i) Sales and service revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Associates	\$ 11,307	1,465	47,428	1,579
Others	<u>931</u>	<u>-</u>	<u>3,389</u>	<u>-</u>
	<u>\$ 12,238</u>	<u>1,465</u>	<u>50,817</u>	<u>1,579</u>

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

(ii) Purchases

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Associates:				
Cameo	\$ 511,826	240,914	1,134,838	806,115
Other related parties:				
Amigo	289,471	26,068	722,361	26,204
Amit	<u>3,240</u>	<u>1,373</u>	<u>5,250</u>	<u>1,373</u>
	<u>\$ 804,537</u>	<u>268,355</u>	<u>1,862,449</u>	<u>833,692</u>

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

(iii) Receivables from related parties

Account	Relationship	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	Associates – Cameo	\$ -	86	-
Accounts receivable	Associates – T-COM	1,032	10,101	1,774
Accounts receivable	Other related parties – Other	31	-	-
Other receivables	Associates – Cameo	76	-	-
Other receivables	Associates – Yeochia	-	71,169	-
Other receivables	Associates – Yeomao	8,314	143,616	-
Other receivables	Other related parties – Amigo	397	21,942	17,254
Other receivables	Other related parties – Amit	-	5,573	474
Prepayment for purchase	Associates – Cameo	-	-	10,919
		<u>\$ 9,850</u>	<u>252,487</u>	<u>30,421</u>

(Continued)

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

The Consolidated Company's other receivables arose from the liquidation of its affiliates, Yeochia and Yeomao. Yeochia was liquidated on July 19, 2022, resulting in other equity losses to be transferred to retained earnings amounting to \$924 thousand.

(iv) Payables to related parties

Account	Relationship	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable	Associates – Cameo	\$ 559,505	176,131	132,504
Accounts payable	Other related parties – Amigo	344,125	109,935	33,405
Accounts payable	Other related parties – Amit	3,558	1,820	1,429
Other payables	Associates – Cameo	2,098	6,310	3,971
Other payables	Other related parties – Amigo	5,352	-	312
Other payables	Other related parties – Amit	7,244	659	-
Contract liabilities	Associates – T-COM	<u>65,778</u>	<u>-</u>	<u>-</u>
		<u>\$ 987,660</u>	<u>294,855</u>	<u>171,621</u>

The Consolidated Company's other payables to affiliates, which include equipment payables and others. Contract liabilities arose from the advance charges of sales consideration to associates.

(v) Property transaction

The acquisition of mold equipment and intangible assets from the related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Associates:				
Cameo	\$ 992	-	4,909	321
Other related parties:				
Amigo	8,693	-	22,531	-
Amit	-	-	472	-
	<u>\$ 9,685</u>	<u>-</u>	<u>27,912</u>	<u>321</u>

(vi) Overdue payment

The Consolidated Company's temporary payments for purchasing materials from related parties, and the amount of the overdue payment was as follows:

(Continued)

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

	September 30, 2022	December 31, 2021	September 30, 2021
Other related parties:			
Amigo	\$ <u>3,205</u>	<u>-</u>	<u>-</u>

About the above overdue payments, the Consolidated Company accrued interest of \$358 thousand on loan basis.

(vii) Services purchased from related parties

The services purchased from related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Associates:				
Cameo	\$ 105	324	625	10,721
Other related parties:				
Amigo	2,267	297	5,045	605
Amit	<u>6,739</u>	<u>-</u>	<u>8,285</u>	<u>-</u>
	<u>\$ 9,111</u>	<u>621</u>	<u>13,955</u>	<u>11,326</u>

(viii) Other income and losses

Account	Relationship	For the three months ended September 30,		For the nine months ended September 30,	
		2022	2021	2022	2021
Other gains and losses	Associates—Yeochia	\$ 286	-	286	-
Other gains and losses	Other related parties—Amigo	-	412	96	412
Other interest income	Other related parties—Amigo	<u>31</u>	<u>-</u>	<u>358</u>	<u>-</u>
		<u>\$ 317</u>	<u>412</u>	<u>740</u>	<u>412</u>

Other income and losses were composed of interest income and gain on disposal of miscellaneous equipment from other related parties.

(ix) Lease

The Consolidated Company leased the office building to other related parties—Amigo and entered into a one-year lease agreement for \$3,663 thousand with reference to the office rental rate in the neighboring areas in October 2021. For nine months ended September 30, 2022, the Consolidated Company recognized rent income of \$2,617 thousand.

The Consolidated Company also leased the office building to Cameo and entered into a one-year lease agreement for \$640 thousand in March 2022. For nine months ended September 30, 2022, the Consolidated Company recognized rent income of \$349 thousand.

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Short-term employee benefits \$	15,193	15,016	35,093	50,498
Post-employee benefits	<u>218</u>	<u>2,497</u>	<u>696</u>	<u>3,255</u>
	<u>\$ 15,411</u>	<u>17,513</u>	<u>35,789</u>	<u>53,753</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2022	December 31, 2021	September 30, 2021
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	<u>\$ 81,993</u>	<u>77,143</u>	<u>78,174</u>

(9) Significant contingent liabilities and unrecognized commitments:

- (a) The Consolidated Company's subsidiary, D-Link Brazil, had disputes regarding prior year's insufficient invoices attached to sales return with the local tax authorities, and had filed litigation. D-Link Brazil had accrued possible tax, interest and penalty.
- (b) The Consolidated Company's subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (c) UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (d) Israel Consumers Council filed a group lawsuit against the Consolidated Company's subsidiary, D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (e) In 2022, Atlas Global filed a lawsuit against the Company, alleging that some of D-Link's products have infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Consolidated Company believes the litigation will not have any significant impact on its current operations.

(Continued)

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

- (f) In 2022, CommWorks Solutions, LLC filed a lawsuit against the Company, alleging that some of D-Link's products have infringed its patent. Hence, the Company has appointed attorneys to handle the case. The Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (g) The Consolidated Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the amount of liabilities is unclear. The Consolidated Company has accrued the possible expense.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

By item	By function	For the three months ended September 30,					
		2022			2021		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		18,658	483,371	502,029	14,576	479,026	493,602
Labor and health insurance		673	23,361	24,034	582	31,656	32,238
Pension		2,354	30,265	32,619	1,526	32,255	33,781
Others		1,907	55,837	57,744	1,980	55,200	57,180
Depreciation		2,952	48,980	51,932	3,121	53,164	56,285
Amortization		7	5,953	5,960	9	9,579	9,588

By item	By function	For the nine months ended September 30,					
		2022			2021		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		51,644	1,431,082	1,482,726	46,196	1,572,693	1,618,889
Labor and health insurance		1,982	74,216	76,198	1,765	98,928	100,693
Pension		5,182	84,140	89,322	4,407	97,572	101,979
Others		6,321	165,759	172,080	6,449	182,201	188,650
Depreciation		8,559	147,613	156,172	10,549	165,102	175,651
Amortization		23	24,071	24,094	27	34,550	34,577

(Continued)

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

(b) Seasonality of operations

The Consolidated Company's operations were not effected by seasonality or cyclical factors.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Corporation	Other receivables-related parties	Yes	634,860	634,860	634,860	-	2	-	Operating Capital	-	-	-	2,869,704	2,869,704
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	321,290	321,290	-	3.80	2	-	Operating Capital	-	-	-	2,869,704	2,869,704
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	617,790	371,722	371,722	-	2	-	Convert from Account receivables to loan receivable	-	-	-	2,869,704	2,869,704
1	D-Link International	Amigo	Other receivables-related parties	Yes	13,688	3,205	3,205	-	1	148,826	Operating Capital	-	-	-	2,869,704	2,869,704
1	D-Link International	D-Link Brazil	Other receivables-related parties	Yes	63,486	63,486	-	-	2	-	Operating Capital	-	-	-	2,869,704	2,869,704
2	D-Link Russia Investment	D-Link International	Other receivables-related parties	Yes	780,878	780,878	777,704	-	2	-	Operating Capital	-	-	-	793,317	793,317
3	D-Link Japan K.K.	D-Link Corporation	Other receivables-related parties	Yes	394,786	394,786	394,786	0.50	2	-	Operating Capital	-	-	-	657,950	657,950
4	D-Link (Deutschland) GmbH	D-Link Europe	Other receivables-related parties	Yes	155,541	155,541	96,435	1.00	2	-	Operating Capital	-	-	-	186,226	186,226

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. The ending amount and funding loan limits are calculated by the unaudited balance.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company shall not exceed 100% of the net worth of D-Link Japan K.K. The ending amount and funding loan limits are calculated by the unaudited balance.

Note 5: Total amount of loans from D-Link (Deutschland) GmbH to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link (Deutschland) GmbH. The ending amount and funding loan limits are calculated by the unaudited balance.

Note 6: Only disclose funding loan limits that are still valid until the September 30, 2022.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements Amount	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	1,999,455	115,909	115,909	59,514	-	1.31 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	158,715	158,715	47,509	-	1.80 %	5,998,365	Y	N	Y
0	D-Link Corporation	D-Link Trade	2	1,999,455	15,872	15,872	-	-	0.18 %	5,998,365	Y	N	N

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

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

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

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

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

(iii) Securities held as of September 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units	Carrying value	Percentage of ownership (%)	
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss-non-current	749,663	-	4.11 %	-
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss-non-current	83,334	-	1.89 %	-
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss-non-current	500,000	-	1.84 %	-
D-Link Corporation	YICHIA Information Corporation	None	Financial assets at fair value through profit or loss-non-current	73,500	-	6.68 %	-
D-Link Corporation	UBICOM	None	Financial assets at fair value through profit or loss-non-current	926,814	-	3.05 %	-
D-Link Corporation	PurpleComm, Inc.	None	Financial assets at fair value through profit or loss-non-current	3,385,417	-	14.10 %	-
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss-non-current	6,600,000	-	2.39 %	-
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss-non-current	600,000	-	1.88 %	-
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss-non-current	252,525	-	0.05 %	-
Yeotai	Stemcyte	None	Financial assets at fair value through other comprehensive income-non-current	18,950	222	0.01 %	222
Yeotai	Kaimei	None	Financial assets at fair value through other comprehensive income-non-current	231,342	11,660	0.21 %	11,660
D-Link India	ICICI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	232,992	29,316	-	29,316
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	258,923	35,474	-	35,474
D-Link India	MAHINDRA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	14,180	7,840	-	7,840
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	14,733	19,586	-	19,586
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	22,063	29,352	-	29,352

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units	Carrying value	Percentage of ownership (%)	
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	4,686	7,827	-	7,827
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	11,232	15,643	-	15,643
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	37,638	35,307	-	35,307

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sales)	Amount	Percentage of total purchases/(Sales)	Payment terms	Unit price	Payment terms	Ending balance	
D-Link Corporation	D-Link International	Subsidiary	(Sales and service revenue)	(796,197)	(15) %	60 days	-	-	227,873	13%
D-Link Corporation	D-Link Systems	Subsidiary	(Sales and service revenue)	(417,529)	(8) %	75 days	-	-	330,869	19%
D-Link Corporation	D-Link Canada	Subsidiary	(Sales and service revenue)	(103,711)	(2) %	60 days	-	-	20,009	1%
D-Link Corporation	D-Link Europe	Subsidiary	(Sales and service revenue)	(1,057,706)	(20) %	60 days	-	-	234,693	13%
D-Link Corporation	D-Link ME	Subsidiary	(Sales and service revenue)	(983,937)	(18) %	60 days	-	-	305,195	18%
D-Link Corporation	D-Link Australia	Subsidiary	(Sales and service revenue)	(162,021)	(3) %	60 days	-	-	46,463	3%
D-Link Corporation	D-Link Japan	Subsidiary	(Sales and service revenue)	(399,695)	(7) %	60 days	-	-	179,197	10%
D-Link Corporation	D-Link India	Subsidiary	(Sales and service revenue)	(667,841)	(13) %	45 days	-	-	176,593	10%
D-Link Corporation	D-Link Trade	Subsidiary	(Sales and service revenue)	(140,493)	(3) %	180 days	-	-	-	-0%
D-Link Corporation	Cameo	Cameo is an associate of the consolidated corporation	Purchase	1,021,824	21 %	90 days	-	-	(455,895)	(24)%
D-Link Corporation	AMIGO	Other related party	Purchase	577,876	12 %	90 days	-	-	(208,442)	(11)%
D-Link International	D-Link Corporation	Parent company	Purchase	719,748	52 %	60 days	-	-	(227,873)	(83)%
D-Link Systems	D-Link Corporation	Parent company	Purchase	434,470	90 %	75 days	-	-	(330,869)	(59)%
D-Link Canada	D-Link Corporation	Parent company	Purchase	102,821	70 %	60 days	-	-	(20,009)	(75)%
D-Link Europe	D-Link Corporation	Parent company	Purchase	1,052,777	77 %	60 days	-	-	(234,693)	(74)%
D-Link ME	D-Link Corporation	Parent company	Purchase	983,473	40 %	60 days	-	-	(305,195)	(37)%
D-Link Australia	D-Link Corporation	Parent company	Purchase	161,701	94 %	60 days	-	-	(46,463)	(97)%
D-Link Japan	D-Link Corporation	Parent company	Purchase	384,431	85 %	60 days	-	-	(179,197)	(99)%
D-Link India	D-Link Corporation	Parent company	Purchase	622,968	21 %	45 days	-	-	(176,593)	(33)%

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sales)	Amount	Percentage of total purchases/(Sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Trade	D-Link Corporation	Parent company	Purchase	140,405	16 %	180 days	—	—	-	-%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sales)	(322,324)	(15) %	60 days	—	—	-	-%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sales)	(242,612)	(11) %	60 days	—	—	316,617	18%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(345,122)	(16) %	180 days	—	—	636,876	36%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	322,324	23 %	60 days	—	—	-	-%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	242,612	10 %	60 days	—	—	(316,617)	(39)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	345,122	38 %	180	—	—	(636,876)	(73)%	
D-link Shiang-Hai (Cayman) Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(270,212)	(69) %	150	—	—	216,741	86%	
D-Link Trade	D-link Shiang-Hai (Cayman) Inc.	The ultimate parent company is D-Link Corporation	Purchase	270,212	30 %	150	—	—	(216,741)	(25)%	

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue (Note 1)		Amounts received in subsequent period (Note 2)	Allowance for bad debts
					Amount	Action taken		
D-Link Corporation	D-Link International	Subsidiary	227,873	6.84	-	-	31,390	-
D-Link Corporation	D-Link Systems	Subsidiary	330,869	3.50	-	-	-	-
D-Link Corporation	D-Link Europe	Subsidiary	234,693	11.57	-	-	-	-
D-Link Corporation	D-Link ME	Subsidiary	305,195	8.55	-	-	-	-
D-Link Corporation	D-Link Japan	Subsidiary	179,197	5.72	-	-	-	-
D-Link Corporation	D-Link India	Subsidiary	176,593	8.64	-	-	43,295	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	316,617	0.75	299,444	-	-	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	660,017	-	660,017	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	249,189	0.03	249,189	-	48,414	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	636,876	0.66	241,688	-	-	-
D-link Shiang-Hai (Cayman) Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	216,741	3.32	-	-	23,206	-

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

Note 2: The amount represents collections subsequent to September 30, 2022 up to October 14, 2022.

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

(Continued)

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

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount		Book Value	Fair Value
		Non-trading:				
D-Link Corporation	Cross currency swap	USD	USD	19,700	21,279	21,279
D-Link Corporation	Cross currency swap	JPY	JPY	1,250,000	5,080	5,080
D-Link Corporation	Cross currency swap	EUR	EUR	3,000	1,958	1,958
D-Link Corporation	Cross currency swap	AUD	AUD	600	444	444
D-Link Corporation	Cross currency swap	CAD	CAD	700	813	813
D Link International	Cross currency swap	CNH	CNH	92,737	17,991	17,991
D-Link Corporation	Forward foreign exchange contract	USD (Buy)	USD	4,200	391	391
D-Link Corporation	Forward foreign exchange contract	JPY (Sell)	JPY	530,000	2,013	2,013
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR	6,200	5,211	5,211
D-Link Corporation	Forward foreign exchange contract	AUD (Sell)	AUD	1,600	2,185	2,185
D-Link Corporation	Forward foreign exchange contract	GBP (Sell)	GBP	300	649	649
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD	500	599	599
D-Link International	Forward foreign exchange contract	IDR (Sell)	IDR	24,072,000	616	616
D-Link International	Forward foreign exchange contract	BRL (Sell)	BRL	31,337	6,545	6,545
D-Link International	Forward foreign exchange contract	KRW (Sell)	KRW	3,502,300	1,584	1,584
D-Link India	Forward foreign exchange contract	INR (Sell)	INR	59,837	467	467
D-Link Corporation	Cross currency swap	JPY	JPY	800,000	(2,106)	(2,106)
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR	1,000	(144)	(144)
D-Link Corporation	Forward foreign exchange contract	AUD (Sell)	AUD	700	(70)	(70)
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD	400	(15)	(15)
D-Link International	Forward foreign exchange contract	IDR (Buy)	IDR	3,032,000	(29)	(29)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR	105,832	(33)	(33)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	D-Link Corporation	D-Link Systems	1	Investments accounted for using equity method	1,487,395	-	9%

(Continued)

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

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	D-Link Corporation	D-Link Canada	1	Investments accounted for using equity method	221,224	-	1%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,529,097	-	16%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,905,904	-	12%
0	D-Link Corporation	D-Link Australia	1	Investments accounted for using equity method	170,256	-	1%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	1,046,658	-	7%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	686,301	-	4%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(648,809)	-	(4)%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	796,197	60 Days	6%
0	D-Link Corporation	D-Link Systems	1	Sales and service revenue	417,529	75 Days	3%
0	D-Link Corporation	D-Link Europe	1	Sales and service revenue	1,057,706	60 Days	8%
0	D-Link Corporation	D-Link ME	1	Sales and service revenue	983,937	60 Days	8%
0	D-Link Corporation	D-Link Australia	1	Sales and service revenue	162,021	60 Days	1%
0	D-Link Corporation	D-Link Japan	1	Sales and service revenue	399,695	60 Days	3%
0	D-Link Corporation	D-Link India	1	Sales and service revenue	667,841	45 Days	5%
0	D-Link Corporation	D-Link Trade	1	Sales and service revenue	140,493	180 Days	1%
0	D-Link Corporation	D-Link International	1	Accounts receivable-related party	227,873	60 Days	1%
0	D-Link Corporation	D-Link Systems	1	Accounts receivable-related party	330,869	75 Days	2%
0	D-Link Corporation	D-Link Europe	1	Accounts receivable-related party	234,693	60 Days	1%
0	D-Link Corporation	D-Link ME	1	Accounts receivable-related party	305,195	60 Days	2%
0	D-Link Corporation	D-Link Japan	1	Accounts receivable-related party	179,197	60 Days	1%
0	D-Link Corporation	D-Link India	1	Accounts receivable-related party	176,593	45 Days	1%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	1,073,301	-	7%

(Continued)

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

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	913,216	-	6%
1	D-Link Holding	Success Stone	3	Investments accounted for using equity method	207,805	-	1%
1	D-Link Holding	D-Link Shiang-Hai (Cayman) Inc.	3	Investments accounted for using equity method-credit	(317,161)	-	(2)%
2	D-Link International	D-Link ME	3	Accounts receivable-related party	316,617	60 Days	2%
2	D-Link International	D-Link L.A.	3	Accounts receivable-related party	660,017	75 Days	4%
2	D-Link International	D-Link Brazil	3	Accounts receivable-related party	249,189	75 Days	2%
2	D-Link International	D-Link Trade	3	Accounts receivable-related party	636,876	180 Days	4%
2	D-Link International	D-Link Europe	3	Sales	322,324	60 Days	3%
2	D-Link International	D-Link ME	3	Sales	242,612	60 Days	2%
2	D-Link International	D-Link Trade	3	Sales	345,122	180 Days	3%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	793,317	-	5%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	1,033,363	-	6%
4	D-Link Shiang-Hai (Cayman) Inc.	D-Link Shiang-Hai	3	Investments accounted for using equity method-credit	(327,932)	-	(2)%
5	D-Link Europe	D-Link Deutschland	3	Investments accounted for using equity method	186,226	-	1%
6	D-Link Shiang-Hai (Cayman) Inc.	D-Link Trade	3	Sales	270,212	150 Days	2%
6	D-Link Shiang-Hai (Cayman) Inc.	D-Link Trade	3	Accounts receivable-related party	216,741	150 Days	1%

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

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

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

Note 3: Nature of relationship are listed as below:

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees nine months ended September 30, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,625,875	1,625,875	47,295,007	98.44 %	1,487,395	42,193	41,886	100% shares owned by D-Link Corporation and D-Link Holding.
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	216,354	216,354	5,736,000	100.00 %	221,224	(68,039)	(67,683)	
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 %	2,529,097	(424,585)	(257,956)	100% shares owned by D-Link Corporation and D-Link Holding. Share of loss of investee includes the amounts of transactions between affiliated companies.
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(648,809)	-	-	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	11,655	(603)	(603)	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 %	3,405	(12,464)	(12,464)	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 %	(143,158)	(35,354)	(35,312)	100% shares owned by D-Link Corporation and D-Link Holding.
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	5	83.33 %	1,046,658	113,454	110,181	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 %	170,256	8,933	8,930	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 %	1,869,658	94,068	93,945	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	- (Note 2)	- %	120,050	6,995	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit of associates accounted for using equity method was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	686,301	98,985	99,367	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(120,896)	89,454	89,454	
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	47,131	1,494	1,494	
D-Link Corporation	Cameo	Taiwan	Manufacturing and sell computer networks system equipment and its components and related technology research and development	1,102,479	1,102,479	137,532,993	41.58 %	1,393,723	45,964	(3,620)	Share of loss of investee includes the amounts of transactions between affiliated companies.
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	- (Note 2)	100.00 %	16,554	89,607	89,607	
D-Link Trade	T-COM	Russia	Marketing and after sales service in Russia	12,485	12,485	- (Note 2)	40.00 %	4,411	(18,918)	(6,540)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	22	22	1,000	0.10 %	21	8,933	-	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 %	33,521	113,454	-	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 %	(46,821)	(17,756)	(17,756)	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	- (Note 2)	100.00 %	(240)	(36)	(36)	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	793,317	(179,376)	(179,376)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,641	70	70	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service	3,574	3,574	1,000	100.00 %	4,450	632	632	
D-Link Holding	D-Link Europe	UK.	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	913,216	(240,753)	(240,753)	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(15,554)	(424,585)	-	D-Link International share's loss recognized in D-Link Corporation.
D-Link Holding	OOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	- (Note 2)	100.00 %	6,783	59	59	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	1,073,301	103,900	103,900	

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(317,161)	234,995	234,995	
D-Link Holding	D-Link Systems	USA	Marketing and after sales service in USA	49,320	49,320	750,000	1.56 %	47,615	42,193	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	207,805	(3,745)	(3,745)	
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	- %	-	(35,354)	-	D-Link Brazil share's loss recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after sales service in Chile	-	-	1	- %	-	(603)	-	D-Link Sudamerica share's loss recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after sales service in India	340,319	340,319	18,114,663	51.02 %	1,033,363	208,267	106,258	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	15	4,683	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 %	129,948	4,683	4,682	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A.	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	3	-	-	D-Link Peru S.A. share's loss recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Marketing and after sales service in Colombia	22,213	22,213	1,443,605	100.00 %	5,269	(39)	(39)	
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after sales service in Guatemala	410	410	99,000	99.00 %	578	-	-	In liquidation process.
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	9,861	(421)	(421)	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	- %	6	(12,464)	-	D-Link Mexicana share's loss recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after sales service in Argentina	2,750	2,750	100	100.00 %	90	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	- (Note 2)	100.00 %	186,226	6,995	6,995	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	15,801	937	937	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	61,013	3,645	3,645	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	(326)	(16,988)	(16,988)	
D-Link Europe	D-Link (Holdings)Ltd	UK.	Investment company	-	-	3	100.00 %	8,709	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	39,349	1,801	1,801	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,774	382	382	
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 %	21,476	994	994	
D-Link Europe	D-Link Magyarország	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	5,157	225	225	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	3,974	313	313	
D-Link (Holdings)Ltd	D-Link UK	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	8,709	-	-	
D-Link Mediterraneo SRL	D-Link ADRIA d.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	- (Note 2)	100.00 %	1,142	(5)	(5)	In liquidation process
D-Link ME	D Link Network	Republic of South Africa	Marketing and after sales service in South Africa	-	-	100	100.00 %	606	475	-	
Yeotai	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	38,110	38,110	1,832,446	41.18 %	5,213	2,339	863	

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

Note 2: Limited Company

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

(Continued)

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	618,989	2	618,989	-	-	618,989	236,125	100.00%	236,125	(327,932)	-
Netpro Trading	Research, development and trading business	22,220	2	20,712	-	-	20,712	(1,130)	100.00%	(1,130)	12,636	-
YouXiang	Technical Service and Import/Export trading business	63,366	3	-	-	-	-	(209)	9.86%	-	4,383	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Others

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 31.7430, CNY 4.4624 as of September 30, 2022.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
D-Link Corporation	639,701	639,701	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:

For the nine months ended September 30, 2022, 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".

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Sapido Technology Inc.	59,818,400	9.97 %

(14) Segment information:

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

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

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

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

For the three months ended September 30, 2022

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 357,185	1,110,379	3,017,431	-	4,484,995
Inter-company	<u>6,887</u>	<u>252</u>	<u>610,538</u>	<u>(617,677)</u>	<u>-</u>
Total revenue	<u>\$ 364,072</u>	<u>1,110,631</u>	<u>3,627,969</u>	<u>(617,677)</u>	<u>4,484,995</u>
Reportable segment profit (loss)	<u>\$ (34,353)</u>	<u>(152,886)</u>	<u>607,521</u>	<u>(349,448)</u>	<u>70,834</u>

For the three months ended September 30, 2021

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 400,625	1,183,296	2,373,786	-	3,957,707
Inter-company	<u>6,035</u>	<u>1,696</u>	<u>1,063,509</u>	<u>(1,071,240)</u>	<u>-</u>
Total revenue	<u>\$ 406,660</u>	<u>1,184,992</u>	<u>3,437,295</u>	<u>(1,071,240)</u>	<u>3,957,707</u>
Reportable segment profit (loss)	<u>\$ (58,975)</u>	<u>(14,651)</u>	<u>213,645</u>	<u>(131,192)</u>	<u>8,827</u>

(Continued)

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

For the nine months ended September 30, 2022

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 982,602	3,359,189	8,315,004	-	12,656,795
Inter-company	<u>21,636</u>	<u>16,155</u>	<u>2,150,952</u>	<u>(2,188,743)</u>	<u>-</u>
Total revenue	<u>\$ 1,004,238</u>	<u>3,375,344</u>	<u>10,465,956</u>	<u>(2,188,743)</u>	<u>12,656,795</u>
Reportable segment profit (loss)	<u>\$ (78,784)</u>	<u>(323,396)</u>	<u>686,743</u>	<u>(237,387)</u>	<u>47,176</u>

For the nine months ended September 30, 2021

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 1,203,622	3,648,209	6,372,457	-	11,224,288
Inter-company	<u>17,182</u>	<u>2,413</u>	<u>3,278,356</u>	<u>(3,297,951)</u>	<u>-</u>
Total revenue	<u>\$ 1,220,804</u>	<u>3,650,622</u>	<u>9,650,813</u>	<u>(3,297,951)</u>	<u>11,224,288</u>
Reportable segment profit (loss)	<u>\$ (76,054)</u>	<u>11,451</u>	<u>503,570</u>	<u>(489,344)</u>	<u>(50,377)</u>
Reportable segment assets:					
September 30, 2022	<u>\$ 3,232,049</u>	<u>4,555,449</u>	<u>23,944,825</u>	<u>(15,825,541)</u>	<u>15,906,782</u>
December 31, 2021	<u>\$ 3,133,150</u>	<u>3,967,148</u>	<u>20,546,004</u>	<u>(13,142,438)</u>	<u>14,503,864</u>
September 30, 2021	<u>\$ 2,288,884</u>	<u>6,454,260</u>	<u>18,993,836</u>	<u>(12,717,527)</u>	<u>15,019,453</u>