

D-LINK CORPORATION**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~26
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	26
(6) Explanation of significant accounts	27~58
(7) Related-party transactions	59~65
(8) Pledged assets	66
(9) Commitments and contingencies	66
(10) Losses Due to Major Disasters	66
(11) Subsequent Events	66
(12) Other	67
(13) Other disclosures	
(a) Information on significant transactions	68~71
(b) Information on investees	72~74
(c) Information on investment in mainland China	74
(d) Major shareholders	74
(14) Segment information	74
9. List of major account titles	75~102



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

3

Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

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

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Other Matter

We did not audit the financial statements of D-Link International Ptd. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2022, and the financial statements of D-Link International Pte. Ltd., a subsidiary of D-Link Corporation as of and for the year ended December 31, 2021. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the report of other auditors. Investments accounted for using equity method of above subsidiaries reflect the total assets of \$1,374,993 thousand and \$1,429,875 thousand, constituting 10% and 13%, of the total assets at December 31, 2022 and 2021, respectively. Besides, the share of profit (loss) of subsidiaries accounted for using equity method of \$(68,403) thousand and \$56,946 thousand, constituting (49)% and 24%, of the net profit before tax for the years ended December 31, 2022 and 2021, respectively.

Key Audit Matters

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

1. Evaluation of investments accounted for using equity method

Please refer to Note 4(h) “Summary of significant accounting policies – Investment in associates”, Note 4(i) “Summary of significant accounting policies – Investment in subsidiaries”, and Note 6(e) “Explanation of significant accounts - Investments accounted for using equity methods” of the parent-company-only financial statements.

Key Audit Matter Explanation:

Investments accounted for using equity method is a material asset to D-LINK CORPORATION, and is significant in its financial statements, with a carrying amount amounting to \$8,453,274 thousand as of December 31, 2022. Therefore, it has been identified as the key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Communicating with other auditors who audited the financial statements of the associates and subsidiaries of D-Link Corporation, including issuing group audit instruction to subsidiaries and associates, and obtaining the financial statements audited by other auditors. Another auditors performing audit procedures on inventories, accounts receivable and revenue, such as inventory evaluation, accounts receivable evaluation, as well as reviewing the correctness of value and timing of revenue recognition, reviewing and evaluating the reasonableness of main operation changes of the investments; comparing the financial statements of the Company’s investments accounted for using equity method with the group reporting information provided by other auditors, and issuing confirmation letters; as well as considering the adequacy of company’s disclosures on its accounts.

2. Revenue recognition

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

Key Audit Matter Explanation:

The Company sells internet related products and services, and aims to offer high-quality internet solution proposals to global consumers and enterprises. Revenue is the key performance indicator to evaluate the Company's performance, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

We tested the effectiveness of the Company’s controls surrounding revenue recognition; reviewed relevant sales documents to evaluate whether terms of sales are consistent with the accounting standards; analyzed and compared the changes in sales to major customers to assess the reasonableness of revenue recognition.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

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

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

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

KPMG

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

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
D-LINK CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net operating revenues (note 6(r) and 7)	\$ 7,240,829	100	1,392,575	100
5000	Operating costs (notes 6(d) and 7)	<u>6,127,608</u>	<u>85</u>	<u>520,881</u>	<u>37</u>
	Gross profit from operations	1,113,221	15	871,694	63
5910	Less: Unrealized gross profit from sales	<u>160,885</u>	<u>2</u>	<u>-</u>	<u>-</u>
	Realized gross profit from operations	<u>952,336</u>	<u>13</u>	<u>871,694</u>	<u>63</u>
	Operating expenses: (notes 6(c), (f), (g), (h), (i), (k), (n) and (s))				
6100	Selling expenses	404,427	6	367,216	25
6200	Administrative expenses	299,984	4	249,976	18
6300	Research and development expenses	333,990	5	587,011	42
6450	Expected credit loss (reversal gain) (note 6(c))	<u>221</u>	<u>-</u>	<u>(208)</u>	<u>-</u>
		<u>1,038,622</u>	<u>15</u>	<u>1,203,995</u>	<u>85</u>
	Net operating loss	<u>(86,286)</u>	<u>(2)</u>	<u>(332,301)</u>	<u>(22)</u>
	Non-operating income and expenses:				
7100	Interest income (notes 6(t) and 7)	2,586	-	3,549	-
7010	Other income (notes 6(t) and 7)	9,422	-	5,119	-
7020	Other gains and losses (notes 6(b), (n), (t) and 7)	18,129	-	(15,914)	(1)
7050	Finance costs (notes 6(k), (n), (t) and 7)	(4,478)	-	(5,708)	-
7060	Share of profit of subsidiaries and associates accounted for using equity method (note 6(e))	<u>199,951</u>	<u>3</u>	<u>583,787</u>	<u>42</u>
		<u>225,610</u>	<u>3</u>	<u>570,833</u>	<u>41</u>
	Profit before tax	139,324	1	238,532	19
7950	Less: Income tax expense (benefit) (note 6(o))	<u>30,091</u>	<u>-</u>	<u>(665)</u>	<u>-</u>
	Net profit	<u>109,233</u>	<u>1</u>	<u>239,197</u>	<u>19</u>
8300	Other comprehensive (loss) income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	20,106	-	(1,687)	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(16,112)	-	49,816	4
8330	Share of other comprehensive loss of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(9,376)	-	(9,248)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(5,382)</u>	<u>-</u>	<u>38,881</u>	<u>3</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(p) and (u))				
8361	Exchange differences on translation of foreign financial statements	590,988	8	(389,612)	(28)
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	10,500	-	871	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	<u>97,156</u>	<u>1</u>	<u>(45,730)</u>	<u>(3)</u>
		<u>504,332</u>	<u>7</u>	<u>(343,011)</u>	<u>(25)</u>
8300	Other comprehensive income (loss), net	<u>498,950</u>	<u>7</u>	<u>(304,130)</u>	<u>(22)</u>
	Total comprehensive income (loss)	<u>\$ 608,183</u>	<u>8</u>	<u>(64,933)</u>	<u>(3)</u>
	Basic earnings per share (New Taiwan dollars) (note 6(q))	<u>\$ 0.18</u>		<u>0.38</u>	
	Diluted earnings per share (New Taiwan dollars) (note 6(q))	<u>\$ 0.18</u>		<u>0.38</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

D-LINK CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings				Total other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance at January 1, 2021	\$ 6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	9,259,495
Net profit	-	-	-	-	239,197	-	-	239,197
Other comprehensive income (loss)	-	-	-	-	(1,687)	(343,011)	40,568	(304,130)
Total comprehensive income (loss)	-	-	-	-	237,510	(343,011)	40,568	(64,933)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	56,647	-	(56,647)	-	-	-
Special reserve appropriated	-	-	-	207,390	(207,390)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(195,597)	-	-	(195,597)
Other changes in capital surplus:								
Changes in equity of associates accounted for using equity method	-	(740)	-	-	729	-	-	(11)
Capital reduction	(521,596)	-	-	-	-	-	-	(521,596)
Disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	(54,847)	-	54,847	-
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	9,248	-	(9,248)	-
Balance at December 31, 2021	5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	8,477,358
Net profit	-	-	-	-	109,233	-	-	109,233
Other comprehensive income (loss)	-	-	-	-	20,106	504,332	(25,488)	498,950
Total comprehensive income (loss)	-	-	-	-	129,339	504,332	(25,488)	608,183
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	19,264	-	(19,264)	-	-	-
Special reserve appropriated	-	-	-	280,213	(280,213)	-	-	-
Other changes in capital surplus:								
Cash dividends from capital surplus	-	(179,950)	-	-	-	-	-	(179,950)
Changes in equity of associates accounted for using equity method	-	-	-	-	4,081	-	-	4,081
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	16,266	-	(16,266)	-
Balance at December 31, 2022	\$ 5,998,365	1,342,623	2,129,290	693,165	149,686	(1,359,264)	(44,193)	8,909,672

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

D-LINK CORPORATION**Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 139,324	238,532
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	55,572	60,514
Amortization expense	28,670	40,760
Expected credit loss (reversal gain)	221	(208)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(15,964)	30,439
Interest expense	4,478	5,708
Interest income	(2,586)	(3,549)
Share of profit of subsidiaries and associates accounted for using equity method	(199,951)	(583,787)
Unrealized profit from sales	160,885	-
Profit from lease modification	(237)	-
Gain on disposal of property, plan and equipment	(4)	(5)
Other	88,054	(2,114)
Total adjustments to reconcile profit (loss)	<u>119,138</u>	<u>(452,242)</u>
Changes in operating assets and liabilities:		
Increase in notes receivable	(377)	(2,637)
(Increase) decrease in accounts receivable	(23,796)	17,690
(Increase) decrease in accounts receivable due from related parties	(1,424,325)	16,756
Decrease in other receivable	1,169	909
(Increase) decrease in inventories	(292,632)	34,603
Increase in other current assets	(42,737)	(26,473)
(Increase) decrease in other non-current assets	(14,688)	1,722
Total changes in operating assets	<u>(1,797,386)</u>	<u>42,570</u>
Increase in contract liabilities	11,034	14,740
Increase in notes payable	2,045	-
Increase in accounts payable	926,888	2,558
Increase in accounts payable to related parties	593,767	3,131
Increase (decrease) in other payable	23,125	(218,024)
Decrease in provisions	(7,407)	(14,626)
Increase (decrease) in refund liabilities	1,925	(7,742)
Increase (decrease) in other current liabilities	24,527	(6,252)
Increase (decrease) in other non-current liabilities	8,842	(1,108)
Total changes in operating liabilities	<u>1,584,746</u>	<u>(227,323)</u>
Total changes in operating assets and liabilities	<u>(212,640)</u>	<u>(184,753)</u>
Total adjustments	<u>(93,502)</u>	<u>(636,995)</u>
Cash flow from (used in) operations	45,822	(398,463)
Interest received	2,586	3,549
Dividends received	106,141	203,607
Interest paid	(5,920)	(5,873)
Income taxes paid	(15,383)	(33,331)
Net cash flows from (used in) operating activities	<u>133,246</u>	<u>(230,511)</u>
Cash flows from (used in) investing activities:		
Increase in investments accounted for using equity method	(24,446)	(799,999)
Proceeds from capital reduction of investments accounted for using equity method	-	267,512
Acquisition of property, plant and equipment	(44,494)	(31,601)
Proceeds from disposal of property, plant and equipment	4	5
Increase in refundable deposits	(15,358)	-
Acquisition of intangible assets	(43,334)	(11,922)
Return from liquidation	212,619	-
Other investing activities	-	(309)
Net cash flows from (used in) investing activities	<u>84,991</u>	<u>(576,314)</u>
Cash flows from (used in) financing activities:		
Decrease in other short-term loans	(325,154)	(98,360)
Increase in other long-term loans	752,346	-
Payment of lease liabilities	(2,641)	(3,582)
Cash dividends paid	(179,950)	(195,597)
Capital reduction payments to shareholders	-	(521,596)
Net cash flows from (used in) financing activities	<u>244,601</u>	<u>(819,135)</u>
Net increase (decrease) in cash and cash equivalents	462,838	(1,625,960)
Cash and cash equivalents at beginning of period	151,391	1,777,351
Cash and cash equivalents at end of period	<u>\$ 614,229</u>	<u>151,391</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

D-LINK CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented.

(a) Statement of Compliance

These financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” .

(b) Basis of Preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

(ii) Foreign operations

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

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

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

- (i) It is expected to be realized or intends to sell or consume it in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

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

(e) Cash and cash equivalents

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(f) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

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

Dividend income is recognized in profit or loss on the date on which the Company’s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and beneficiary certificate. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘trade receivables’ line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and trade receivables, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Financial liabilities

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

The Company assigned parts of hedge instruments (derivate financial instruments) to hedge its cash flow.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

(g) Inventories

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

(h) Investment in associates

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

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

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence commences until the date that significant influence ceases.

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

If an associate issues new shares and the Company does not acquire new shares in proportion to its original ownership percentage but still have significant effect, the change in the equity shall be used to adjust the capital surplus or retained earnings, and investments are accounted for using equity method. If it resulted in a decrease in the ownership interest, except for the adjustments mentioned above, the related amount previously recognized in other comprehensive income in relation to the associate will be reclassified proportionately on the same basis as if the Company had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

Subsidiaries that the Company has significant influence over their financial and operating policies are accounted for using the equity method. Under equity method, profit or loss and comprehensive income in the parent company only financial statements are consistent with the profit or loss and the comprehensive income that are attributable to the owners of the parent in the consolidated financial statements. In addition, equity in the parent company only financial statements are consistent with the equity attributable to owners in the consolidated financial statements.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

The Company recognizes any changes in its subsidiaries' equity, which did not result in the changes of its influence within the transaction regarding its owners' equity.

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings and improvements: 5~55 years
- 2) Transportation, office equipment and others: 2~9 years

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

(iv) Reclassification to investment property

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

(l) Leases

The Company assesses whether a contract is or contains a lease on the date of its establishment, and a contract is or contains a lease if the contract transfers control over the use of the identified asset for a period of time in exchange for consideration.

(i) As a lessee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office buidling that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(m) Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

The amortized amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

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

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

(n) Impairment – non-derivative financial assets

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

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

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

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

(o) Provisions

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(p) Revenue from contracts with customers

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

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

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

The Company offers a standard warranty for the consumer electronics sold to provide assurance that the product complies with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(l).

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(r) Income Taxes

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

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

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

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

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

- (s) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible notes, employee stock options, and employee bonus settled using shares that have yet to be approved by the Board of Directors meeting. The effect on net income per common share from the increase in stock from the transfer of unappropriated earnings, capital surplus, and employee profit sharing is computed retroactively.

(t) Operating segments

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

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

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

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

(a) Valuation of inventories

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

(b) Judgment on whether company has substantial control over invested company

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 168	191
Checking and saving accounts	<u>614,061</u>	<u>151,200</u>
Cash and cash equivalents	<u><u>\$ 614,229</u></u>	<u><u>151,391</u></u>

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

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

(b) Financial Assets and Liabilities

(i) Details as follows

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss - current		
Cross currency swaps	\$ 14,560	-
Forward foreign exchange contracts	<u>198</u>	<u>-</u>
	<u><u>\$ 14,758</u></u>	<u><u>-</u></u>
	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss – current		
Cross currency swaps	\$ 177	9,803
Forward foreign exchange contracts	<u>8,420</u>	<u>-</u>
	<u><u>\$ 8,597</u></u>	<u><u>9,803</u></u>

- 1) On February 17, 2021, the Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Company transferred from financial assets at fair value through other comprehensive income to investments accounted for using the equity method and reclassified from other equity loss to retained earnings amounting to \$54,847 thousand.
- 2) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(w).
- 3) As of December 31, 2022 and 2021, no financial assets are pledged as collateral.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(ii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2022 and 2021, transactions that do not qualify for hedging accounting are presented as held-for-trading financial assets were as follows:

1) Derivative financial assets

	December 31, 2022			December 31, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 28,200	USD	2023.01 ~2023.03	-	-	-
JPY	\$ 1,800,000	JPY	2023.01 ~2023.02	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	1,400	EUR	2023.02	-	-	-
CAD (sell)	900	CAD	2023.01 ~2023.02	-	-	-

2) Derivative financial liabilities

	December 31, 2022			December 31, 2021		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ -	USD	-	1,700	USD	2022.02
EUR	2,400	EUR	2023.01 ~2023.02	10,000	EUR	2022.02
JPY	-	JPY	-	1,800,000	JPY	2022.01 ~2022.03
AUD	600	AUD	2023.01	-	-	-
CAD	500	CAD	2023.01	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	6,300	EUR	2023.01 ~2023.02	-	-	-
AUD (sell)	1,700	AUD	2023.01 ~2023.03	-	-	-
CAD (sell)	1,000	CAD	2023.02	-	-	-
JPY (sell)	1,025,060	JPY	2023.01 ~2023.03	-	-	-

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(c) Notes and accounts receivable (including related parties) and other receivables

	December 31, 2022	December 31, 2021
Notes receivable for operating activities	\$ 5,660	5,283
Accounts receivable (including related parties) for operating activities	1,673,238	225,117
Other receivables	<u>26,730</u>	<u>240,518</u>
	1,705,628	470,918
Less: Loss Provision	<u>(1,109)</u>	<u>(888)</u>
	<u>\$ 1,704,519</u>	<u>470,030</u>

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,342,631	0.08%	1,079
90 days or less past due	354,781	0.01%	30
91 to 180 days past due	<u>8,216</u>	0.00%	<u>-</u>
	<u>\$ 1,705,628</u>		<u>1,109</u>

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 455,439	0.18%	842
90 days or less past due	<u>15,479</u>	0.30%	<u>46</u>
	<u>\$ 470,918</u>		<u>888</u>

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

	2022	2021
Balance at January 1, 2022 and 2021	\$ 888	1,096
Impairment loss recognized (reversal gain)	<u>221</u>	<u>(208)</u>
Balance at December 31, 2022 and 2021	<u>\$ 1,109</u>	<u>888</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(d) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ <u>383,227</u>	<u>88,874</u>

The operating cost comprises of cost of goods sold, write-down loss (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). For the year ended December 31, 2022 and 2021, the cost of goods delivered were \$6,097,178 thousand and \$495,756 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$32,151 thousand and \$21,580 thousand for the year ended December 31 2022 and 2021, respectively. In 2022, the Company assessed the net realizable value of inventories in consideration of the market share trend and the life cycle of products, and reversed the write-down loss of inventories to net realizable value to reduce cost of goods sold by \$1,721 thousand. In 2021, the Company recognized write-down loss of inventories to net realizable value of \$3,545 thousand, because of the shortage of materials and the increase in logistics time to increase stocking.

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

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 7,843,797	7,273,419
Associates	<u>1,416,631</u>	<u>1,394,856</u>
	9,260,428	8,668,275
Less: Credit balance of equity investment (In other non-current liabilities)	<u>(807,154)</u>	<u>(752,453)</u>
	<u>\$ 8,453,274</u>	<u>7,915,822</u>

- (i) In November 2022, the Company reorganized and bought back 1.56% shares of D-Link Systems from D-Link Holding for \$24,426 thousand (US\$782 thousand).
- (ii) In December 2022, the Company reorganized and bought back 0.10% shares of D-Link Australia from D-Link International for \$20 thousand (US\$1 thousand).
- (iii) YEOCHIA, the Company's the investment accounted for using equity method, reduced its capital by cash in 2021, and the Company received cash for \$200,000 thousand.
- (iv) D-Link Canada, the Company's investment accounted for using equity method, reduced its capital by cash in 2021, and the Company received cash for \$67,512 thousand (CAD\$3,000 thousand).
- (v) YEOCHIA and YEOMAO, the Company's investments accounted for using equity method, carried out liquidation procedure in December 2021, were liquidated in July 2022 and October 2022, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

1) Subsidiaries

Please refer to the 2022 consolidated financial statements.

2) Associates

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

a) The financial information on Cameo was summarized as follows:

	December 31, 2022	December 31, 2021
Current assets	\$ 3,871,200	1,693,178
Non-current assets	1,732,411	3,397,654
Current liabilities	1,484,128	875,644
Non-current liabilities	<u>885,525</u>	<u>5,966,476</u>
Net assets	<u>\$ 3,233,958</u>	<u>3,130,351</u>
Net assets attributable to investee's shareholders	<u>\$ 3,233,958</u>	<u>3,130,351</u>
	2022	2021
Operating revenue	<u>\$ 3,379,117</u>	<u>2,479,234</u>
Net Income	\$ 94,973	390,654
Other comprehensive income (loss)	<u>8,634</u>	<u>(57,188)</u>
Total comprehensive income	<u>\$ 103,607</u>	<u>333,466</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 103,607</u>	<u>333,466</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

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

3) Pledges

As of December 31, 2022 and 2021, no investments accounted for using equity methods were pledged as collateral.

(f) Right-of-use assets

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

	Buildings
Cost:	
Balance at January 1, 2022	\$ 18,321
Decrease	<u>(8,209)</u>
Balance at December 31, 2022	<u><u>\$ 10,112</u></u>
Balance at January 1, 2021	\$ 16,065
Increase	3,214
Decrease	<u>(958)</u>
Balance at December 31, 2021	<u><u>\$ 18,321</u></u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	Buildings
Accumulated Depreciation:	
Balance at January 1, 2022	\$ 6,818
Increase	2,857
Decrease	<u>(3,634)</u>
Balance at December 31, 2022	<u>\$ 6,041</u>
Balance at January 1, 2021	\$ 4,137
Increase	3,639
Decrease	<u>(958)</u>
Balance at December 31, 2021	<u>\$ 6,818</u>
Carrying amount:	
Balance at December 31, 2022	<u>\$ 4,071</u>
Balance at December 31, 2021	<u>\$ 11,503</u>
Balance at January 1, 2021	<u>\$ 11,928</u>

(g) Property, plant and equipment

	2022				Balance as of December 31, 2022
	Balance as of January 1, 2022	Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	548,803	919	-	-	549,722
Others	<u>626,454</u>	<u>43,575</u>	<u>154,848</u>	<u>-</u>	<u>515,181</u>
	<u>1,706,710</u>	<u>44,494</u>	<u>154,848</u>	<u>-</u>	<u>1,596,356</u>
Accumulated depreciation:					
Buildings	430,564	5,115	-	-	435,679
Others	<u>548,639</u>	<u>47,204</u>	<u>154,848</u>	<u>-</u>	<u>440,995</u>
	<u>979,203</u>	<u>52,319</u>	<u>154,848</u>	<u>-</u>	<u>876,674</u>
	<u>\$ 727,507</u>	<u>(7,825)</u>	<u>-</u>	<u>-</u>	<u>719,682</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	Balance as of January 1, 2021	2021			Balance as of December 31, 2021
		Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	548,086	717	-	-	548,803
Others	<u>722,347</u>	<u>30,884</u>	<u>126,777</u>	<u>-</u>	<u>626,454</u>
	<u>1,801,886</u>	<u>31,601</u>	<u>126,777</u>	<u>-</u>	<u>1,706,710</u>
Accumulated depreciation:					
Buildings	425,572	4,992	-	-	430,564
Others	<u>623,929</u>	<u>51,487</u>	<u>126,777</u>	<u>-</u>	<u>548,639</u>
	<u>1,049,501</u>	<u>56,479</u>	<u>126,777</u>	<u>-</u>	<u>979,203</u>
	<u>\$ 752,385</u>	<u>(24,878)</u>	<u>-</u>	<u>-</u>	<u>727,507</u>

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

(h) Investment property

	Balance as of January 1, 2022	2022			Balance as of December 31, 2022
		Increase	Decrease	Transfer	
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>12,320</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>12,716</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 38,876</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>38,480</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	Balance as of January 1, 2021	2021			Balance as of December 31, 2021
		Increase	Decrease	Transfer	
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>11,924</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>12,320</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,272</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>38,876</u>

	December 31, 2022	December 31, 2021
Book value	\$ <u>38,480</u>	<u>38,876</u>
Fair value	\$ <u>73,181</u>	<u>51,328</u>

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

As of December 31, 2022 and 2021, the fair value of investment property was evaluated based on the comparable deal information with similar location and category or appraisal report.

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

(i) Intangible assets

	2022				Balance as of December 31, 2022
	Balance as of January 1, 2022	Increase	Decrease	Amortization	
Patents	15,028	-	-	(2,692)	12,336
Computer software costs	19,139	1,071	-	(13,808)	6,402
Other intangible assets	<u>11,295</u>	<u>42,263</u>	<u>(711)</u>	<u>(12,170)</u>	<u>40,677</u>
	<u>\$ 45,462</u>	<u>43,334</u>	<u>(711)</u>	<u>(28,670)</u>	<u>59,415</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	2021				Balance as of
	Balance as of	Increase	Decrease	Amortization	of
	January 1, 2021				December 31, 2021
Patents	17,720	-	-	(2,692)	15,028
Computer software costs	43,113	4,147	(2,322)	(25,799)	19,139
Other intangible assets	13,467	10,097	-	(12,269)	11,295
	<u>\$ 74,300</u>	<u>14,244</u>	<u>(2,322)</u>	<u>(40,760)</u>	<u>45,462</u>

(j) Other long-term and short-term loans

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

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

(i) Other long-term and short-term loans

	Currency	Interest rate	Maturity year	December 31, 2022	December 31, 2021
Other short-term loans	EUR	1%	2022	\$ -	313,645
Other short-term loans	JPY	0.5%	2022~2023	421,749	433,258
Other long-term loans	USD	-	2027	752,346	-
				<u>\$ 1,174,095</u>	<u>746,903</u>
Unused credit facilities				<u>\$ 3,236,868</u>	<u>4,117,132</u>

(k) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	<u>\$ 1,956</u>	<u>4,033</u>
Non-current	<u>\$ 2,469</u>	<u>7,846</u>

The amounts recognized in profit or loss were as follows:

	2022	2021
Interests on lease liabilities	<u>\$ 111</u>	<u>201</u>
Expenses relating to short-term leases	<u>\$ 2,096</u>	<u>2,760</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

	2022	2021
Total cash outflow for leases	\$ <u>4,848</u>	<u>6,543</u>

Real estate leases

The Company leases buildings for its office space, and the leases of office space typically run for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(l) Provisions — current

	2022					Balance as
	Balance as	Increase	Used	Reversed	Effect of	of
	of January				exchange	December
	1, 2022					31, 2022
Warranties	\$ 62,860	8,529	(7,407)	-	-	63,982
Legal proceedings and royalties	<u>119,067</u>	<u>106,963</u>	<u>-</u>	<u>(34,134)</u>	<u>7,706</u>	<u>199,602</u>
	\$ <u>181,927</u>	<u>115,492</u>	<u>(7,407)</u>	<u>(34,134)</u>	<u>7,706</u>	<u>263,584</u>

	2021					Balance as
	Balance as	Increase	Used	Reversed	Effect of	of
	of January				exchange	December
	1, 2021					31, 2021
Warranties	\$ 69,562	-	(5,378)	(1,324)	-	62,860
Legal proceedings and royalties	<u>132,650</u>	<u>52,431</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(1,138)</u>	<u>119,067</u>
	\$ <u>202,212</u>	<u>52,431</u>	<u>(14,626)</u>	<u>(56,952)</u>	<u>(1,138)</u>	<u>181,927</u>

(m) Refund liabilities

	December 31,	December 31,
	2022	2021
Refund liabilities	\$ <u>26,765</u>	<u>24,840</u>

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(n) Employee benefits

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 70,547	86,814
Fair value of plan assets	<u>(80,571)</u>	<u>(75,551)</u>
Net defined benefit (assets) liabilities	<u>\$ (10,024)</u>	<u>11,263</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$80,571 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

- 2) Movements in the present value of the defined benefit obligations in 2022 and 2021 were as follows:

	2022	2021
Defined benefit obligation at January 1	\$ 86,814	91,577
Current service costs and interests	1,227	1,197
Remeasurement of the defined benefit liabilities		
— Actuarial losses from changes in demographic assumption	-	118
— Actuarial gains from changes in the financial assumptions	(5,647)	(5,109)
— Actuarial (gains) losses from changes in experience adjustments	(8,629)	7,971
Benefits paid	<u>(3,218)</u>	<u>(8,940)</u>
Defined benefit obligation at December 31	<u>\$ 70,547</u>	<u>86,814</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2022 and 2021 were as follows:

	2022	2021
Fair value of plan assets at January 1	\$ 75,551	80,892
Interest income	605	324
Remeasurement of the net plan assets		
— Actuarial return on plan assets (excluding interests)	5,830	1,293
Contributions made	1,803	1,982
Benefits paid	<u>(3,218)</u>	<u>(8,940)</u>
Fair value of plan assets at December 31	<u><u>\$ 80,571</u></u>	<u><u>75,551</u></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2022 and 2021 were as follow:

	2022	2021
Current service costs	\$ 532	831
Net interest on the net defined benefit obligation	<u>90</u>	<u>42</u>
	<u><u>\$ 622</u></u>	<u><u>873</u></u>
	2022	2021
Operating costs	\$ 9	14
Selling expenses	355	485
Administrative expenses	136	164
Research and development expenses	<u>122</u>	<u>210</u>
	<u><u>\$ 622</u></u>	<u><u>873</u></u>

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

The Company's remeasurement of the net define benefit liabilities recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Balance on January 1	\$ 49,017	47,330
Recognized	<u>(20,106)</u>	<u>1,687</u>
Balance on December 31	<u><u>\$ 28,911</u></u>	<u><u>49,017</u></u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

6) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.400 %	0.800 %
Future salary increases	3.000 %	3.000 %

The Company has a net defined benefit asset as of December 31, 2022 and no contributions are expected to be made within one year.

The weighted average duration of defined benefit obligation is 13.00 years and 14.00 years in 2022 and 2021, respectively.

7) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2022 and 2021 was as follows:

	Effective of defined benefit liabilities	
	Increase	Decrease
December 31, 2022		
Discount rate (0.25% change)	\$ (2,202)	2,289
Future salary increase (0.25% change)	2,071	(2,007)
December 31, 2021		
Discount rate (0.25% change)	(2,955)	3,080
Future salary increase (0.25% change)	2,788	(2,696)

The analysis of the impact of sensitivity is based on the situation that other assumptions remain constant. In actual situation, many changes in assumption might be linked. The way the Company used to calculate sensitively analysis is as same as the one used in calculating the net pension obligation.

The assumptions used to prepare sensitively analysis in this period are the same as the previous financial statements.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the labor pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

The amounts of the Company's pension expenses under defined contribution pension plan in 2022 and 2021 were as follows and the amounts were contributed to the labor pension personal accounts of Bureau of the Labor Insurance:

	2022	2021
Operating costs	\$ 131	138
Operating expenses	<u>26,568</u>	<u>34,177</u>
	<u>\$ 26,699</u>	<u>34,315</u>

(o) Income Taxes

Income tax expenses (benefits) for the years ended 2022 and 2021 were summarized as follows:

	2022	2021
Current income tax expense (benefit)	\$ 14,320	(3,150)
Deferred tax expense	<u>15,771</u>	<u>2,485</u>
Income tax expenses (benefits)	<u>\$ 30,091</u>	<u>(665)</u>

The amounts of income tax benefit recognized in other comprehensive income were as follows:

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>\$ 97,156</u>	<u>(45,730)</u>

Reconciliations of income tax expense (benefit) and profit before tax were as follows:

	2022	2021
Profit before income tax	<u>\$ 139,324</u>	<u>238,532</u>
Income tax using the Company's domestic tax rate	\$ 27,865	47,706
Share of profit of subsidiaries and associates accounted for using equity method	(39,492)	(22,223)
Investment income from domestic company	(3,257)	(39,764)
Unrecognized changes of temporary differences	79,845	(30,713)
Income tax adjustments on prior years and others	<u>(34,870)</u>	<u>44,329</u>
Income tax expenses (benefits)	<u>\$ 30,091</u>	<u>(665)</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences		
Unrealized expenses	\$ 38,698	24,132
Provisions for warranty	12,796	12,572
Unrealized impairment	24,318	24,318
Unrealized gross profit from sales	60,250	-
Others	<u>47,233</u>	<u>47,167</u>
	<u>183,295</u>	<u>108,189</u>
Operating loss carry forward	<u>220,003</u>	<u>215,264</u>
	<u><u>\$ 403,298</u></u>	<u><u>323,453</u></u>

(ii) Recognized deferred tax assets and liabilities

	Intra-group transactions	Exchnage differences on translation of foreign financial statements	Loss carry forward	Others	Total
Deferred income tax assets:					
Balance at January 1, 2022	\$ 39,428	323,611	337,696	-	700,735
Recognized in profit or loss	(15,771)	-	(52,033)	-	(67,804)
Exchnage differences on translation of foreign financial statements	<u>-</u>	<u>(97,156)</u>	<u>-</u>	<u>-</u>	<u>(97,156)</u>
Balance at December 31, 2022	<u>\$ 23,657</u>	<u>226,455</u>	<u>285,663</u>	<u>-</u>	<u>535,775</u>
Balance at January 1, 2021	\$ 61,681	277,881	242,431	5,697	587,690
Recognized in profit or loss	(22,253)	-	95,265	(5,697)	67,315
Exchnage differences on translation of foreign financial statements	<u>-</u>	<u>45,730</u>	<u>-</u>	<u>-</u>	<u>45,730</u>
Balance at December 31, 2021	<u>\$ 39,428</u>	<u>323,611</u>	<u>337,696</u>	<u>-</u>	<u>700,735</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	Investments under equity method	Others	Total
Deferred income tax liabilities:			
Balance at January 1, 2022	\$ 296,578	41,118	337,696
Recognized in profit or loss	<u>(53,510)</u>	<u>1,477</u>	<u>(52,033)</u>
Balance at December 31, 2022	<u>\$ 243,068</u>	<u>42,595</u>	<u>285,663</u>
Balance at January 1, 2021	\$ 242,431	25,465	267,896
Recognized in profit or loss	<u>54,147</u>	<u>15,653</u>	<u>69,800</u>
Balance at December 31, 2021	<u>\$ 296,578</u>	<u>41,118</u>	<u>337,696</u>

In accordance with the ROC Tax laws, the operating loss carry forward assessed by the tax authorities are deductible from taxable income for a ten-year period. As of December 31, 2022, the Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Years of loss	Unused amount	Year of expiry
2017	\$ 1,486,983	2027
2019	162,350	2029
2020	620,355	2030
2021	<u>258,641</u>	2031
	<u>\$ 2,528,329</u>	

The Company's income tax return had been examined by the tax authorities through 2020.

(p) Share capital and other equity

(i) Common stock

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

For the purpose of optimizing the return on equity and capital structure, the Company reduced its capital by returning the amount of \$521,596 thousand, at a capital reduction rate of 8% common shares, to its shareholders, based on a resolution approved during its board meeting held on March 17, 2021.

This capital reduction was approved by the shareholders' meeting on July 5, 2021, and had the effective registration by the competent Authority. The record date of the capital reduction is on September 1, 2021, and all relevant change registrations of the capital reduction was finished on October 5, 2021.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

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

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

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

(iii) Retained earnings

1) Legal reserve

According to the ROC Company Act No. 237, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of authorized common stock.

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on 6 April, 2012, a special reserve equivalent to the net debit balance of shareholders' equity shall be made from the current after-tax net income and the prior unappropriated earnings pursuant to existing regulations promulgated by SFB. The Company shall not distribute the special reserve equivalent to the net debit balance of shareholders' equity from the prior fiscal years made from the prior unappropriated

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

3) Earning distribution

In accordance with the Company's articles of incorporation, if there are earnings at year-end, 10 percent should be set aside as legal reserve and special earnings reserve or reversal in accordance with the Securities and Exchange Act after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the board of directors can propose methods of distribution to be approved by the shareholders' meeting.

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

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

4) Dividend policy

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

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (1,863,596)	(2,439)
The Company	493,832	-
Associates	10,500	(25,488)
Associates-liquidation	-	(16,266)
Balance at December 31, 2022	<u>\$ (1,359,264)</u>	<u>(44,193)</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	\$ (1,520,585)	(88,606)
The Company	(343,882)	49,816
Associates	871	(9,248)
The Company-disposal	-	54,847
Subsidiaries-disposal	-	(9,248)
Balance at December 31, 2021	<u>\$ (1,863,596)</u>	<u>(2,439)</u>

(q) Earnings per share

The calculations of earnings per share of the Company were as follows:

(i) Basic earnings per share

	2022	2021
Profit of the Company for the year	<u>\$ 109,233</u>	<u>239,197</u>
Outstanding ordinary shares	<u>599,837</u>	<u>634,610</u>
Basic earnings per share (dollar)	<u>\$ 0.18</u>	<u>0.38</u>

(ii) Diluted earnings per share

	2022	2021
Profit attributable to owners of ordinary shares (diluted)	<u>\$ 109,233</u>	<u>239,197</u>
Weighted-average number of ordinary shares outstanding (basic)	\$ 599,837	634,610
Employeees' compensation has not been resolved by the shareholders' meeting	<u>677</u>	<u>1,071</u>
Weighted average number of ordinary shares (diluted)	<u>600,514</u>	<u>635,681</u>
Diluted earnings per share (dollar)	<u>\$ 0.18</u>	<u>0.38</u>

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(r) Revenue from contracts with customers

(i) The Company revenue from contract revenue

Major product / service lines	2022	2021
Network communication products	\$ 6,937,651	786,679
Services	<u>303,178</u>	<u>605,896</u>
	<u>\$ 7,240,829</u>	<u>1,392,575</u>
Primary geographical markets	2022	2021
Asia and others	\$ 4,899,634	1,392,575
Europe	1,547,964	-
America	<u>793,231</u>	<u>-</u>
	<u>\$ 7,240,829</u>	<u>1,392,575</u>

In 2021, the Company's revenue from customer contracts mainly consisted of sales of network communication products in Taiwan, as well as royalties and service income received from the purchase and sales of products by overseas subsidiaries. In 2022, the Company adjusted its transaction model based on the overall management plan of the Group, wherein it would purchase from various suppliers and then sell to overseas subsidiaries.

(ii) Contract liabilities

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

	December 31, 2022	December 31, 2021
Contract Liabilities — current (sales)	<u>\$ 34,853</u>	<u>23,819</u>

2) The Company recognized \$21,506 thousand and \$6,692 thousand in sales from the beginning balance of contract liabilities for the year ended December 31, 2022 and 2021, respectively.

(s) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then a minimum of 1% to a maximum of 15% will be distributed as employee remuneration, and a maximum of 1% will be allocated as directors' remuneration. The earnings shall be considered as the annual income before tax and remuneration to employees, directors and supervisors. The resolution for earnings distribution shall be decided by two-third of the voting rights exercised by the directors present at the board of directors' meeting who represent a majority of the directors. Employees who are entitled to receive the above mentioned employees remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

In 2022 and 2021, the Company estimated its employees' remuneration amounted to \$7,372 thousand, and \$12,621 thousand, respectively, and Directors' remuneration amounted to \$737 thousand and \$1,262 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles of incorporation. These remunerations were expensed under operating expenses during 2022 and 2021.

There was no difference between the Company's estimated and the actual distribution amount in 2021. Related information would be available at the Market Observation Post System website.

(t) Other income and losses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ 2,402	3,508
Interest income from others	<u>184</u>	<u>41</u>
Total Interest income	<u>\$ 2,586</u>	<u>3,549</u>

(ii) Other income

	2022	2021
Rental income	\$ 5,058	2,398
Others	<u>4,364</u>	<u>2,721</u>
Total	<u>\$ 9,422</u>	<u>5,119</u>

(iii) Other gains and losses

	2022	2021
Gain on disposal of property, plant and equipment	\$ 4	5
Foreign currency exchange gains	4,944	14,520
Valuation gains (losses) from financial assets and liabilities	15,964	(30,439)
Others	<u>(2,783)</u>	<u>-</u>
Total	<u>\$ 18,129</u>	<u>(15,914)</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iv) Financial costs

	2022	2021
Interest expense	\$ (4,367)	(5,507)
Other financial costs		
Lease liability interests	<u>(111)</u>	<u>(201)</u>
	<u>(111)</u>	<u>(201)</u>
Net financial costs	<u>\$ (4,478)</u>	<u>(5,708)</u>

(u) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2022 and 2021 were summarized as follow:

	2022	2021
Exchange differences on translation of foreign financial statements		
Change in foreign currency exchange from the Company	\$ <u>590,988</u>	<u>(389,612)</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u>\$ 590,988</u>	<u>(389,612)</u>
Share of other comprehensive income accounted for using equity method		
Change in foreign currency exchange from associates	\$ <u>10,500</u>	<u>871</u>
Share of other comprehensive income from associates	<u>\$ 10,500</u>	<u>871</u>

(v) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 614,229	151,391
Financial assets at fair value through profit or loss — current	14,758	-
Notes receivable, accounts receivable and other accounts receivable (including related parties)	1,704,519	470,030
Refundable deposits	<u>19,900</u>	<u>4,542</u>
	<u>\$ 2,353,406</u>	<u>625,963</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

2) Financial liabilities

	December 31, 2022	December 31, 2021
Short-term loans	\$ 421,749	746,903
Long-term loans	752,346	-
Financial liabilities at fair value through profit or loss — current	8,597	9,803
Notes payable, accounts payable and other payables (including related parties)	1,871,769	327,386
Guarantee deposit received	3,074	3,074
Lease liability (current and non-current)	<u>4,425</u>	<u>11,879</u>
	<u>\$ 3,061,960</u>	<u>1,099,045</u>

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$2,353,406 thousand, and \$625,963 thousand, respectively.

(iii) Liquidity risk

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

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2022							
Non-derivative financial liabilities							
Other long-term and short-term loans	\$ 1,174,095	1,176,174	1,067	422,761	-	752,346	-
Notes payable	2,056	2,056	2,056	-	-	-	-
Accounts payable	1,057,913	1,057,913	1,057,913	-	-	-	-
Accounts payable to related parties	603,049	603,049	603,049	-	-	-	-
Other payables	208,751	208,751	208,751	-	-	-	-
Lease liability	4,425	4,510	1,029	988	2,493	-	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Cross currency swaps	177	177	177	-	-	-	-
Forward foreign exchange contracts	8,420	8,420	8,420	-	-	-	-
	<u>\$ 3,061,960</u>	<u>3,064,124</u>	<u>1,885,536</u>	<u>423,749</u>	<u>2,493</u>	<u>752,346</u>	<u>-</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2021							
Non-derivative financial liabilities							
Other short-term loans	\$ 746,903	752,132	2,690	749,442	-	-	-
Notes payable	11	11	11	-	-	-	-
Accounts payable	131,025	131,025	131,025	-	-	-	-
Accounts payable to related parties	9,282	9,282	9,282	-	-	-	-
Other payables	187,068	187,068	187,068	-	-	-	-
Lease liability	11,879	12,192	2,101	2,101	3,757	4,233	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Cross currency swaps	9,803	9,803	9,803	-	-	-	-
	<u>\$ 1,099,045</u>	<u>1,104,587</u>	<u>345,054</u>	<u>751,543</u>	<u>3,757</u>	<u>4,233</u>	<u>-</u>

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

(iv) Currency risk

1) The Company's significant exposures to foreign currency risk were as follows:

	2022			2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets :						
Monetary items:						
USD	\$ 41,487	30.71	<u>\$ 1,273,974</u>	5,562	27.69	<u>154,001</u>
Derivative financial instruments:						
EUR	\$ 52	30.71	1,598	-	-	-
JPY	55,377	0.23	12,975	-	-	-
CAD	8	22.68	185	-	-	-
			<u>\$ 14,758</u>			<u>-</u>
Investment accounted for using equity method:						
USD	\$ 238,864	30.71	7,335,056	239,242	27.69	6,624,612
CAD	7,037	22.68	159,585	12,851	21.74	279,408
AUD	7,893	20.93	165,200	7,460	20.08	149,831
MXN	2,178	1.58	3,444	10,799	1.35	14,527
JPY	2,635,526	0.23	617,517	2,568,276	0.24	618,180
CLP	217,279	0.04	7,763	294,227	0.03	9,582
			<u>\$ 8,288,565</u>			<u>7,696,140</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

	2022			2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities:						
Monetary items:						
USD	\$ 78,199	30.71	2,401,337	4,363	27.69	120,803
EUR	-	-	-	10,051	31.36	313,254
JPY	1,863,888	0.23	<u>436,718</u>	1,802,553	0.24	<u>433,872</u>
			<u>\$ 2,838,055</u>			<u>867,929</u>
Derivative financial instruments:						
USD	\$ 126	30.71	3,876	10	27.69	270
JPY	19,859	0.23	4,653	29,626	0.24	7,131
EUR	-	-	-	77	31.36	2,402
CAD	3	22.68	<u>68</u>	-	-	<u>-</u>
			<u>\$ 8,597</u>			<u>9,803</u>
Credit balance of equity investment:						
USD	\$ 20,435	30.71	627,565	22,915	27.69	634,518
BRL	30,490	5.89	<u>179,589</u>	23,777	4.96	<u>117,935</u>
			<u>\$ 807,154</u>			<u>752,453</u>

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

Because the Company has various functional currencies, information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities is aggregaely disclosed. The total foreign exchange gains and losses, including realized and unrealized, were gains \$4,944 thousand and \$14,520 thousand for the years ended December 31, 2022 and 2021, respectively.

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, other receivables, loans, account payables, and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency as of December 31, 2022 and 2021 would have increased or decreased the net income after tax by \$71,082 thousand and \$74,639 thousand, respectively, assuming all other variables were held constanting.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management for the risk of interest rate exposure of the Company's financial assets and liabilities.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

(vi) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

		December 31, 2022			
Assets and liabilities	Total	Level 1	Level 2	Level 3	
Measured at fair value on recurring basis					
Derivative instruments					
Assets:					
Financial assets at fair value through profit or loss — current	\$ 14,758	-	14,758	-	
Liabilities:					
Financial liabilities at fair value through profit or loss — current	8,597	-	8,597	-	
		December 31, 2021			
Assets and liabilities	Total	Level 1	Level 2	Level 3	
Measured at fair value on recurring basis					
Derivative instruments					
Liabilities:					
Financial liabilities at fair value through profit or loss — current	\$ 9,803	-	9,803	-	

2) Valuation techniques

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

3) Transfer from Level 1 to Level 2

As of December 31, 2022 and 2021, there were no transfers between level 1 and level 2 of the fair value hierarchy.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(vii) Assets and liabilities not measured at fair value

1) Information of fair value

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Non-financial assets:				
Investment property	\$ <u>38,480</u>	<u>73,181</u>	<u>38,876</u>	<u>51,328</u>
		<u>December 31, 2022</u>		
<u>Assets and liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Non-financial assets:				
Investment property	\$ 73,181	-	-	73,181
		<u>December 31, 2021</u>		
<u>Assets and liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Non-financial assets:				
Investment property	\$ 51,328	-	-	51,328

2) Valuation techniques

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

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

(w) Financial risk management

(i) Overview

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Company arises from the operations and financial conditions of each customer and the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate. However, the Company operates worldwide, and thus, risk is diversified. As of December 31, 2022 and 2021, revenue from each foreign customer does not exceed 5% of the Company's revenue and therefore, there is no concentration of credit risk.

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

2) Investment on securities and derivative financial instruments

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

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2022 and 2021, the Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. the Company's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. the Company aims to maintain the level of its cash and short term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. the Company has unused short term bank facilities for \$3,236,868 thousand as of December 31, 2022.

(v) Market risk

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

1) Currency risk

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

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

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

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

2) Interest rate risk

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

(x) Capital management

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

Debt-to-equity ratio:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,558,939	2,486,326
Less: cash and cash equivalents	<u>(614,229)</u>	<u>(151,391)</u>
Net debt	<u>\$ 3,944,710</u>	<u>2,334,935</u>
Total equity	<u>\$ 8,909,672</u>	<u>8,477,358</u>
Debt-to-equity ratio	<u>44.27%</u>	<u>27.54%</u>

As of December 31, 2022, the methods of the Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 2022 and 2021 were as follows:

(i) Requirement of right-to-use assets through lease agreement, please refer to note 6(k).

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

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Exchange	Fair value changes	Others	
Other short-term loans	\$ 746,903	(325,154)	-	-	-	421,749
Other long-term loans	-	752,346	-	-	-	752,346
Lease liabilities	11,879	(2,752)	-	-	(4,702)	4,425
Guarantee desposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 761,856</u>	<u>424,440</u>	<u>-</u>	<u>-</u>	<u>(4,702)</u>	<u>1,181,594</u>

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Exchange	Fair value changes	Others	
Other short-term loans	\$ 845,263	(98,360)	-	-	-	746,903
Lease liabilities	12,247	(3,582)	-	-	3,214	11,879
Guarantee desposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 860,584</u>	<u>(101,942)</u>	<u>-</u>	<u>-</u>	<u>3,214</u>	<u>761,856</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
D-Link Holding Company Ltd. (D-Link Holding)	A subsidiary
D-Link Canada Inc. (D-Link Canada)	A subsidiary
D-Link Japan K.K. (D-Link Japan)	A subsidiary
D-Link Investment Pte.Ltd. (D-Link Investment)	A subsidiary
D-Link Sudamerica S.A. (D-Link Sudamerica)	A subsidiary
D-Link Brazil LTDA (D-Link Brazil)	A subsidiary
D-Link Latin America Company Ltd.(D-Link L.A.)	A subsidiary
D-Link Mexicana S.A de C.V (D-Link Mexicana)	A subsidiary
D-Link Systems, Inc. (D-Link Systems)	A subsidiary
D-Link International Pte. Ltd. (D-Link International)	A subsidiary
D-Link Australia Pty Ltd. (D-Link Australia)	A subsidiary
D-Link Middle East FZCO (D-Link ME)	A subsidiary
D-Link Korea Limited (D-Link Korea)	A subsidiary
D-Link Trade M (D-Link Moldova)	A subsidiary
D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	A subsidiary
D-Link Malaysia SDN. BHD (D-Link Malaysia)	A subsidiary
D-Link Service Lithuania, UAB (D-Link Lithuania)	A subsidiary
Yeochia Investment Co., Ltd.	An associate (Carried out liquidation was completed July, 2022)
Yeomao Investment Co., Ltd.	An associate (Carried out liquidation was completed October 1, 2022)
Yeotai Investment Co., Ltd.	A subsidiary
D-Link (Europe) Ltd. (D-Link Europe)	A subsidiary
D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	A subsidiary
D-Link Holding Mauritius Inc. (D-Link Mauritius)	A subsidiary
OOO D-Link Russia (D-Link Russia)	A subsidiary
OOO D-Link Trade (D-Link Trade)	A subsidiary
Success Stone Overseas Corp. (Success Stone)	A subsidiary

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Wishfi Pte. Ltd. (Wishfi)	A subsidiary (Logout was completed in January 2022)
D-Link India Ltd. (D-Link India)	A subsidiary
TeamF1 Networks Private Limited (TeamF1 India)	A subsidiary
D-Link (Holdings) Ltd. and the subsidiary D-Link (UK) Ltd. (D-Link UK)	A subsidiary
D-Link France SARL (D-Link France)	A subsidiary
D-Link AB	A subsidiary
D-Link Iberia SL (D-Link Iberia)	A subsidiary
D-Link Mediterraneo SRL (D-Link Mediterraneo)	A subsidiary
D-Link (Netherlands) BV (D-Link Netherlands)	A subsidiary
D-Link (Deutschland) GmbH (D-Link Deutschland)	A subsidiary
D-Link Polska Sp. Z.o.o. (D-Link Polska)	A subsidiary
D-Link (Magyarország) kft (D-Link Magyarország)	A subsidiary
D-Link s.r.o	A subsidiary
D-Link Adria d.o.o	A subsidiary
D-Link Shiang-Hai Co., Ltd.	A subsidiary
Netpro Trading (Shiang-Hai) Co., Ltd.	A subsidiary
D-Link Peru S.A.	A subsidiary
D-Link de Colombia S.A.S	A subsidiary
D-Link Guatemala S.A.	A subsidiary
D-Link Argentina S.A.	A subsidiary
Cameo Communication, Inc.	An associate (Due to increasing shareholding in February 2021, the Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)
Amigo Technology Inc.	Other related parties
Amit Wireless Inc.	Other related parties
Sapido Technology Inc.	Other related parties
E-Sheng steel Co. Ltd	Other related parties

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(b) Significant related party transactions

The Company's significant sales to related parties were as follows:

(i) Sales revenue

	2022	2021
Subsidiaries	\$ 6,299,187	146,077
Associates-Cameo	50	191
Associates-others	<u>1,617</u>	<u>-</u>
	<u>\$ 6,300,854</u>	<u>146,268</u>

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

(ii) Service revenue

	2022	2021
Subsidiaries:		
D-Link International	\$ 78,219	527,142
Others	109,697	42,262
Associates:		
Others	<u>2,730</u>	<u>-</u>
	<u>\$ 190,646</u>	<u>569,404</u>

(iii) Purchases

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

	2022	2021
Subsidiaries:	\$ 83,019	2,045
Associate:		
Cameo	1,434,699	14,796
Other related-parties:		
Amigo	706,972	10,124
Amit	<u>6,700</u>	<u>-</u>
	<u>\$ 2,231,390</u>	<u>26,965</u>

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iv) Accounts receivable due from related parties

The receivables to related parties were as follows:

Account	Related party categories	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiaries – D-Link International	\$ 82,248	52,526
Accounts receivable	Subsidiaries – D-Link Systems	240,255	-
Accounts receivable	Associates – D-Link Europe	280,006	7,960
Accounts receivable	Subsidiaries – D-Link ME	382,258	1,554
Accounts receivable	Subsidiaries – D-Link Japan	143,758	-
Accounts receivable	Subsidiaries – D-Link India	225,073	15,576
Accounts receivable	Subsidiaries – Others	151,575	3,153
Accounts receivable	Associates – Cameo	-	86
Accounts receivable	Other related parties – Sapido	10	-
Other receivables	Subsidiaries – D-Link International	976	7,793
Other receivables	Subsidiaries – Others	21,071	4,906
Other receivables	Associates – Cameo	73	-
Other receivables	Associates – Yeochia	-	71,169
Other receivables	Associates – Yeomao	-	143,616
Other receivables	Other related parties – Amit	-	5,573
		<u>\$ 1,527,303</u>	<u>313,912</u>

The Company's other receivables from its associates, Yeochia and Yeomao, were mainly due to the liquidation right arising from the liquidation Yeochia Investment and Yeomao Investment. They were liquidated in July 2022 and October 2022, respectively, and the benefits under other equity were transferred to retained earnings of \$16,266 thousand.

(v) Other current assets

The Company's pre payments to related parties were as follows:

Account	Related party categories	December 31, 2022	December 31, 2021
Other current assets	Associates – Cameo	<u>\$ 5,082</u>	<u>-</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(vi) Accounts payable to related parties were as follows :

The payables to related parties were as follows:

Account	Related party categories	December 31, 2022	December 31, 2021
Accounts payable	Subsidiaries – D-Link International	\$ 59	207
Accounts payable	Subsidiaries – others	1,559	-
Accounts payable	Associates – Cameo	453,134	3,635
Accounts payables	Other related-parties – Amigo	146,742	5,440
Accounts payable	Other related-parties – Amit	1,555	-
Other payables	Subsidiaries – others	3,276	6,656
Other payables	Associates – Cameo	3,326	4,762
Other payables	Other related parties – Sapido	2,100	-
Other payables	Other related parties – Amigo	12,235	-
Other payables	Other related parties – Amit	6,490	659
Temporary payments	Subsidiaries – Others	3,378	-
Contract liabilities	Subsidiaries – Others	14,342	-
		<u>\$ 648,196</u>	<u>21,359</u>

Other payables mainly consist of interest payments to subsidiaries and payments to related parties for after-sales maintenance of products and various services due to business transactions; other payables to associates include payables for equipment and others.

(vii) Services purchased from related parties

The services purchased from related parties were as follows:

	2022	2021
Subsidiaries – others	\$ 17,555	-
Associates – Cameo	847	12,085
Other related parties – Amigo	10,096	3,436
Other related-parties – Amit	14,466	-
	<u>\$ 42,964</u>	<u>15,521</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(viii) Property transaction

1) Property, plant and equipment, intangible assets acquired

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

	2022	2021
Associates:		
Cameo	7,510	3,436
Other related parties:		
Amigo	32,574	5,814
Amit	472	-
Sapido	2,000	-
	\$ 42,556	9,250

(ix) Other gains and losses

Account	Related party categories	2022	2021
Interest income	Other related parties – Amigo	-	41
Other gains and losses	Associates – Other	(2,167)	-
Other gains and losses	Other related parties – Amigo	96	-
		\$ (2,071)	41

Other gains and losses consist of interest income, gain on disposal of miscellaneous equipment and other losses arising from the liquidation of share of subsidiaries.

(x) Lease

The Company leased the office building to other related parties – Amigo and entered into a one-year lease agreement for \$3,663 thousand with reference to the office rental rate in the neighboring areas in October 2021. For the year ended December 31, 2022 and 2021, the Company recognized rent income of \$3,488 thousand and \$1,300 thousand, respectively.

The Company also leased the office building to Cameo and entered into a one year lease agreement for \$640 thousand in March 2022. For the year ended December 31, 2022, the Company recognized rent income of \$524 thousand.

The Company also leased out its office buildings to its subsidiaries at the amounts of \$24 thousand and \$72 thousand, resulting in the recognition of \$23 thousand and \$68 thousand as rental income for the years ended December 31, 2022 and 2021, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(xi) Borrowing from Related Parties

The borrowing from related parties were as follows:

	2022	2021
Subsidiaries – D-Link Japan	\$ 421,749	433,258
Subsidiaries – D-Link Europe	-	313,645
Subsidiaries – D-Link Russia investment	<u>752,346</u>	<u>-</u>
	<u>\$ 1,174,095</u>	<u>746,903</u>

The interest paid to the related parties amounted to \$2,626 thousand and \$5,437 thousand for the year 2022 and 2021, respectively. The amounts were calculated based on the the interest rate agreed between each related party and the Company. The interest-bearing borrowings provided by related parties were unsecured. In addition, the Company borrows short-term loan from D-Link Europe, with amounts ranging between \$0 thousand and \$315,881 thousand for the year 2022, and had been fully paid by the end of the year.

(xii) Guarantee

As of December 31, 2022 and 2021, the Company had provided a guarantee to its related-parties which borrowed from financial institutions with the credit limit as follow:

	2022	2021
Subsidiaries:		
D-Link Europe	\$ 122,473	116,864
D-Link Shiang-Hai	153,540	69,225
D-Link Trade	<u>-</u>	<u>13,845</u>
	<u>\$ 276,013</u>	<u>199,934</u>

As of December 31, 2022 and 2021, the Company had used its endorsement guarantees amounting to \$119,476 thousand and \$59,987 thousand respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 43,480	85,582
Post-employee benefits	<u>904</u>	<u>5,959</u>
	<u>\$ 44,384</u>	<u>91,541</u>

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(8) Pledged assets:None

(9) Commitments and contingencies:

- (a) The Company' s subsidiary, D-Link Brazil, had disputes regarding prior year's insufficient invoices attached to sales return with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.
- (b) The Company' s subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (c) UNM RAINFOREST INNOVATIONS filed a lawsuit against the Company in February 2020, alleging that some of the D-Link' s products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (d) Israel Consumers Council filed a group lawsuit against the Company's subsidiary D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (e) In 2022, Atlas Global filed a lawsuit against the Company, alleging that some of D-Link' s products have infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Company believes the litigation will not have any significant impact on its current operations.
- (f) TurboCode LLC filed a lawsuit against the Company in 2022, alleging that some of the D-Link' s products infringed its patents. Hence, the Company has appointed attorneys to handle the case. The Company believes the litigation will not have any significant impact on its current operations.
- (g) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the amount of liabilities is unclear. The Company has accrued the possible expense.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(12) Other:

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

By item	By function	For the year ended December 31					
		2022			2021		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		2,481	546,370	548,851	2,822	707,457	710,279
Labor and health insurance		291	51,079	51,370	301	62,931	63,232
Pension		140	27,181	27,321	152	35,036	35,188
Remuneration of directors		-	5,257	5,257	-	5,524	5,524
Others		113	18,077	18,190	146	21,375	21,521
Depreciation		4	55,568	55,572	1	60,513	60,514
Amortization		-	28,670	28,670	-	40,760	40,760

the Company for the year ended December 31, 2022 and 2021 additional information for the number of employees and employee benefits were as follows:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>513</u>	<u>674</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,274</u>	<u>1,243</u>
The average salaries and wages	<u>\$ 1,083</u>	<u>1,063</u>
The adjustment rate of average employee salaries	<u>1.88 %</u>	<u>(2.57)%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

Directors: The remuneration to directors is determined by reference to their attributes, positions, as well as their industry levels, which shall be regularly revised by the "Directors and Functional Committee Members Remuneration Management Measure" in accordance with the Company's articles of incorporation. The above conditions are reviewed by the Remuneration Committee and approved by the Board of Directors thereafter.

Managers: For remuneration to new managers and managers whose annual salary have changed in the current year, the human resource department determined their remuneration by reference to the industry levels. The above conditions are reviewed by the Remuneration Committee and approved by the Board of Directors thereafter.

Employee: For employee remuneration, which is based on the reference to the annual external salary survey, employee salary level within the peer industry, taking into consideration the Company's operating status and budget planning, the Company determined their annual salary adjustments, annual bonus, promotion scheme, distribution of employee remuneration based on principles, long-term compensation scheme, etc., taking into account each employee's performance appraisal results, the Company's overall operating performance, as well as the need for sustainable development.

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following was the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Shiang-Hai	Other accounts receivable - related parties	Yes	317,459	317,459	317,459	3.80	2	-	Operating Capital	-	-	-	2,797,257	2,797,257
1	D-Link International	D-Link Shiang-Hai	Other accounts receivable - related parties	Yes	597,646	360,357	360,357	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,797,257	2,797,257
2	D-Link Russia Investment	D-Link Corporation	Other accounts receivable - related parties	Yes	752,346	752,346	752,346	-	2	-	Operating Capital	-	-	-	767,444	767,444
3	D-Link Japan K.K.	D-Link Corporation	Other accounts receivable - related parties	Yes	421,749	421,749	421,749	0.50	2	-	Operating Capital	-	-	-	617,517	617,517
4	D-Link (Deutschland) GmbH	D-Link Europe	Other accounts receivable - related parties	Yes	164,349	164,349	101,897	1.00	2	-	Operating Capital	-	-	-	200,050	200,050

Note 1: Purpose of fund financing for the borrower:

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

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

Note 3: Total amount of loans from D-Link Russia Investment to the Company shall not exceed 100% of the net worth of D-Link Russia Investment.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company shall not exceed 100% of the net worth of D-Link Japan K.K..

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

Note 6: Only disclose funding loan limits that are still valid until end the year of 2022.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific 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 Europe	D-Link Europe	2	1,999,455	122,473	122,473	62,324	-	1.37 %	5,998,365	Y	N	N
0	D-Link Corporation Shiang-Hai	D-Link Shiang-Hai	2	1,999,455	153,540	153,540	57,152	-	1.72 %	5,998,365	Y	N	Y

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

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

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

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

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

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
D-Link Corporation	EHO0	None	Non current financial assets at fair value through profit or loss	749,663	-	4.11 %	-	
D-Link Corporation	EWAVE	None	Non current financial assets at fair value through profit or loss	83,334	-	1.89 %	-	
D-Link Corporation	TGC	None	Non current financial assets at fair value through profit or loss	500,000	-	1.84 %	-	
D-Link Corporation	YICHIA Information Corporation	None	Non current financial assets at fair value through profit or loss	73,500	-	6.68 %	-	
D-Link Corporation	UBICOM	None	Non current financial assets at fair value through profit or loss	926,814	-	3.05 %	-	
D-Link Corporation	Purple Comm, Inc.	None	Non current financial assets at fair value through profit or loss	3,385,417	-	14.10 %	-	
D-Link Corporation	Global Mobile Corp.	None	Non current financial assets at fair value through profit or loss	6,600,000	-	2.39 %	-	
D-Link Holding	Best 3C	None	Non current financial assets at fair value through profit or loss	600,000	-	1.88 %	-	
D-Link Holding	E2O	None	Non current financial assets at fair value through profit or loss	252,525	-	0.05 %	-	
YEOTAI	Stemcyte	None	Non current financial assets at fair value through other comprehensive income	18,950	215	0.01 %	215	
YEOTAI	Kaimei	None	Non current financial assets at fair value through other comprehensive income	231,342	12,377	0.21 %	12,377	
D-Link India	ICICI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	310,132	37,716	- %	37,716	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	258,923	34,297	- %	34,297	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	16,719	33,606	- %	33,606	
D-Link India	TATA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	25,004	32,126	- %	32,126	
D-Link India	SBI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	27,909	35,895	- %	35,895	
D-Link India	HDFC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	20,926	33,788	- %	33,788	
D-Link India	UTI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	27,993	37,690	- %	37,690	
D-Link India	AXIS MUTUAL FUND	None	Current financial assets at fair value through profit or loss	24,571	22,280	- %	22,280	

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sales and service revenue)	(920,101)	(13) %	60 days	-	-	82,248	5%	
D-Link Corporation	D-Link Systems	Subsidiary	(Sales and service revenue)	(540,088)	(8) %	75 days	-	-	240,255	14%	
D-Link Corporation	D-Link Canada	Subsidiary	(Sales and service revenue)	(158,061)	(2) %	60 days	-	-	43,643	3%	
D-Link Corporation	D-Link Europe	Subsidiary	(Sales and service revenue)	(1,547,963)	(22) %	60 days	-	-	280,006	17%	
D-Link Corporation	D-Link ME	Subsidiary	(Sales and service revenue)	(1,302,058)	(18) %	60 days	-	-	382,258	23%	
D-Link Corporation	D-Link Australia	Subsidiary	(Sales and service revenue)	(199,263)	(3) %	60 days	-	-	26,026	2%	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link Japan	Subsidiary	(Sales and service revenue)	(622,582)	(9) %	60 days	—	—	143,758	9%	
D-Link Corporation	D-Link India	Subsidiary	(Sales and service revenue)	(939,617)	(13) %	45 days	—	—	225,073	13%	
D-Link Corporation	D-Link Trade	Subsidiary	(Sales and service revenue)	(140,493)	(2) %	180 days	—	—	-	-%	
D-Link Corporation	Cameo	Cameo is an associate of the Company	Purchase	1,434,699	23 %	90 days	—	—	(453,134)	(27)%	
D-Link Corporation	AMIGO	Other related party	Purchase	706,972	11 %	90 days	—	—	(146,742)	(9)%	
D-Link International	D-Link Corporation	Parent company	Purchase	841,882	54 %	60 days	—	—	(82,248)	(61)%	
D-Link Systems Corporation	D-Link Corporation	Parent company	Purchase	560,936	90 %	75 days	—	—	(240,255)	(59)%	
D-Link Canada	D-Link Corporation	Parent company	Purchase	156,763	73 %	60 days	—	—	(43,643)	(67)%	
D-Link Europe	D-Link Corporation	Parent company	Purchase	1,540,225	82 %	60 days	—	—	(280,006)	(75)%	
D-Link ME	D-Link Corporation	Parent company	Purchase	1,301,467	42 %	60 days	—	—	(382,258)	(48)%	
D-Link Australia	D-Link Corporation	Parent company	Purchase	198,788	91 %	60 days	—	—	(26,026)	(94)%	
D-Link Japan	D-Link Corporation	Parent company	Purchase	597,478	85 %	60 days	—	—	(143,758)	(86)%	
D-Link India	D-Link Corporation	Parent company	Purchase	879,724	22 %	45 days	—	—	(225,073)	(36)%	
D-Link Trade	D-Link Corporation	Parent company	Purchase	140,405	9 %	180 days	—	—	-	-%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	Sales	(326,820)	(13) %	60 days	—	—	(1,362)	-%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	Sales	(246,990)	(10) %	60 days	—	—	203,906	15%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	Sales	(351,349)	(14) %	180 days	—	—	502,756	36%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	326,820	17 %	60 days	—	—	1,362	-%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	246,990	8 %	60 days	—	—	(203,906)	(26)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	351,349	23 %	180 days	—	—	(502,756)	(55)%	
D-link Shiang-Hai Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	Sales	(886,577)	(87) %	150 days	—	—	397,466	96%	
D-Link Trade	D-link Shiang-Hai (Cayman) Inc.	The ultimate parent company is D-Link Corporation	Purchase	886,577	58 %	150 days	—	—	(397,466)	(43)%	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
D-Link Corporation	D-Link Systems	Subsidiary	240,255	4.67	-	-	69,360	-
D-Link Corporation	D-Link Europe	Subsidiary	280,006	10.70	-	-	98,535	-
D-Link Corporation	D-Link ME	Subsidiary	382,258	6.78	-	-	61,415	-
D-Link Corporation	D-Link Japan	Subsidiary	143,758	8.31	-	-	51,579	-
D-Link Corporation	D-Link India	Subsidiary	225,073	7.31	-	-	128,083	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	203,906	0.65	203,906	-	-	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	638,497	-	638,497	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	167,458	0.03	167,458	-	17,897	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	502,756	0.56	465,919	-	56,392	-
D-link Shiang-Hai Inc.	D-Link Trade	The ultimate parent company is D-Link Corporation	397,466	5.95	-	-	82,289	-

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

Note 2: The amount represents collections subsequent to December 31, 2022 up to February 10, 2023.

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
		Non-trading :			
D-Link Corporation	Cross currency swap	USD	USD 28,200	1,585	1,585
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	12,975	12,975
D-Link International	Cross currency swap	CNH	CNH 127,134	2,674	2,674
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR 1,400	13	13
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD 900	185	185
D-Link Corporation	Cross currency swap	EUR	EUR 2,400	(71)	(71)
D-Link International	Cross currency swap	EUR	EUR 800	(709)	(709)
D-Link Corporation	Cross currency swap	AUD	AUD 600	(56)	(56)
D-Link Corporation	Cross currency swap	CAD	CAD 500	(50)	(50)
D-Link International	Cross currency swap	CNH	CNH 41,664	(475)	(475)
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR 6,300	(3,105)	(3,105)
D-Link Corporation	Forward foreign exchange contract	AUD (Sell)	AUD 1,700	(644)	(644)
D-Link Corporation	Forward foreign exchange contract	CAD (Sell)	CAD 1,000	(18)	(18)
D-Link International	Forward foreign exchange contract	IDR (Sell)	IDR 21,805,000	(19)	(19)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR 227,782	(56)	(56)
D-Link International	Forward foreign exchange contract	BRL (Sell)	BRL 26,625	(2,007)	(2,007)
D-Link International	Forward foreign exchange contract	CNH (Buy)	CNH 24,301	(297)	(297)
D-Link Corporation	Forward foreign exchange contract	JPY (Sell)	JPY 1,025,060	(4,653)	(4,653)
D-Link International	Forward foreign exchange contract	KRW (Sell)	KRW 4,420,970	(3,171)	(3,171)

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(b) Information on investees:

The following was the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,672,702	1,625,875	48,045,007	100.00 %	1,507,525	44,144	44,144	D-Link Corporation acquires 1.56% of D-LINK Systems from D-Link Holding in November 2022
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	216,354	216,354	5,736,000	100.00 %	153,846	(133,045)	(133,045)	
D-Link Corporation	D-Link International	Singapore	Global marketing, procurement and after-sale service	1,941,986	1,941,986	66,074,660	99.36 %	2,478,811	(267,555)	(37,521)	100% shares owned by D-Link Corporation and D-Link Holding. Share of loss of investee includes the amounts of transactions between affiliated companies.
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(627,565)	-	-	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	9,134	(2,161)	(2,161)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	3,444	(12,785)	(12,785)	100% shares owned by D-Link Corporation and D-Link Sudamerica.
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(179,589)	(38,146)	(38,943)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	5	83.33 %	1,033,412	148,303	148,303	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,764	16,744	1,000,000	100.00 %	156,385	8,931	8,931	The Company acquires 0.10% of D-LINK Australia from D-Link International in December 2022
D-Link Corporation	D-Link Holding	B.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,664,029	182,310	62,373	Share of profit of investee includes the amounts of transactions between affiliated companies.
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	10,169	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit of subsidiaries accounted for using equity method was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	626,409	15,302	15,302	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	46,318	129,066	129,066	
D-Link Corporation	Yeochia	Taiwan	Investment company	-	-	-	- %	-	-	-	Liquidation completed in July 2022
D-Link Corporation	Yeomao	Taiwan	Investment company	-	-	-	- %	-	-	-	Liquidation completed in October 2022
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	44,434	(1,916)	(1,916)	
D-Link Corporation	Cameo	Taiwan	Manufacturing and sell computer networks system equipment and its components and related technology research and development	1,102,479	1,102,479	137,532,993	41.58 %	1,416,631	94,973	18,203	Share of loss of investee includes the amounts of transactions between affiliated companies.
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	-	100.00 %	48,141	129,252	129,252	
D-Link Trade	T-COM	Russia	Marketing and after sales service in Russia	12,485	12,485	-	40.00 %	1,874	(4,293)	(8,468)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	-	22	-	- %	-	-	-	In December 2022, D-Link International transferred 0.1% of its shareholding in D-Link Australia to the Company.
D-Link International	D-Link ME	UAE	Marketing and after sales service in Middle East and Africa	34,260	34,260	1	16.67 %	32,428	148,303	-	D-Link ME share's profit recognized in D-Link Corporation
D-Link International	D-Link Korea	Korea	Marketing and after sales service in Korea	44,300	44,300	330,901	100.00 %	(39,744)	(6,351)	(6,351)	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	-	100.00 %	(192)	6	6	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	767,444	(43,985)	(43,985)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,876	155	155	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service in Lithuania	3,574	3,574	1,000	100.00 %	4,617	556	556	
D-Link Holding	D-Link Europe	UK	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	970,342	(253,432)	(253,432)	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(15,047)	(267,555)	-	D-Link International share's loss recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	-	100.00 %	5,617	327	327	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	1,040,489	154,913	154,913	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(266,983)	281,526	281,526	
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after sales service	-	-	-	- %	-	-	-	Cancellation of registration in January, 2022
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	170,952	(484)	(484)	
D-Link Holding	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	- %	-	(38,146)	-	D-Link Brazil share's loss recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after sales service in Chile	-	-	1	- %	-	(2,162)	-	D-Link Sudamerica share's loss recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after sales service in India	340,319	340,319	18,114,663	51.02 %	1,038,838	308,594	157,445	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	14	6,374	1	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamF1 India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	125,258	6,374	6,373	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	3	(1,380)	-	D-Link Peru S.A. share's loss recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Marketing and after sales service in Colombia	22,213	22,213	1,443,605	100.00 %	4,917	(139)	(139)	
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after sales service in Guatemala	410	410	99,000	99.00 %	562	-	-	In liquidation process.
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	8,449	(1,380)	(1,380)	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	- %	6	(12,784)	-	D-Link Mexicana share's loss recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after sales service in Argentina	2,750	2,750	100	100.00 %	73	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	-	100.00 %	200,050	10,169	10,169	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	16,394	1,008	1,008	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	65,371	4,532	4,532	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	27,150	749	749	
D-Link Europe	D-Link (Holdings)Ltd	UK	Investment company	-	-	3	100.00 %	9,348	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	41,913	2,134	2,134	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	8,376	539	539	
D-Link Europe	D-Link Polska Sp Z.o.o.	Poland	Marketing and after sales service in Poland	1,210	1,210	100	100.00 %	23,570	1,113	1,113	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	5,590	59	59	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	4,374	412	412	
D-Link (Holdings)Ltd	D-Link UK	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	9,348	-	-	
D-Link Mediterraneo SRL	D-Link ADRIA d.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	-	100.00 %	1,203	(7)	(7) In liquidation process	
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 %	1,792	(5,969)	(2,558)	

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

Note 2: Limited Company

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value Note 2	Accumulated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	598,806	(2)	598,806	-	-	598,806	280,732	100.00%	280,732	(279,321)	-
Netpro Trading	Research, development and trading business	21,496	(2)	20,037	-	-	20,037	794	100.00%	794	14,399	-
YouXiang	Technical Service and Import/Export trading business	62,610	(3)	-	-	-	-	502	9.86%	-	4,111	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Other

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 30.71, CNY 4.41 as of December 31, 2022.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
618,843	574,462	Note

Note: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

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

(14) Segment information:

Please refer to Consolidated Financial Statements for the year ended December 31, 2022.

(Continued)

D-LINK CORPORATION
Statement of cash and cash equivalents
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and Foreign currency deposits	\$ <u>168</u>
Bank deposits	Checking and Saving accounts	
	NTD	181,737
	USD : 6,972 (in thousands)	214,088
	Other foreign currency deposits	<u>218,236</u>
		<u>\$ 614,229</u>

Note 1: The exchange rate of USD to NTD as of December 31, 2022 is 30.708.

D-LINK CORPORATION

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

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares of units (thousand)</u>	<u>Carrying Amount</u>	<u>Total</u>	<u>Interest Rate</u>	<u>Aquisition cost</u>	<u>Fair value</u>		<u>Fair value changes are attributable to the changes of credit risk</u>	<u>Note</u>
							<u>Unit price</u>	<u>Total amount</u>		
Derivative financial assets :										
Cross currency swaps		-	\$ -	-	-	%	-	-	14,560	-
Foward foreign exchange contracts		-	-	-	-	%	-	-	198	-
				<u>\$ -</u>					<u>14,758</u>	<u>-</u>

D-LINK CORPORATION
Statement of notes receivable
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Company A	\$ 1,032
Company B	460
Company C	507
Company D	378
Company E	714
Company F	2,205
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)	<u>364</u>
	<u><u>\$ 5,660</u></u>

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

D-LINK CORPORATION
Statement of accounts receivables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Company G	\$ 26,071
Company H	24,834
Company I	14,175
Company J	17,964
Company K	10,474
Company L	9,118
Company M	15,783
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	49,636
	168,055
Less: Loss Provision	(1,109)
	\$ 166,946

Note: The accounts receivable from related parties are not included in the above payment. For details, please refer to Note 7 to the financial statements.

D-LINK CORPORATION
Statement of other receivables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Receivable amounts from advance payment of subsidiaries		\$ 22,047
Receivable amounts from advance payment of third parties		2,253
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)		<u>2,430</u>
		<u><u>\$ 26,730</u></u>

D-LINK CORPORATION
Statement of inventories
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net realizable value	
Finished goods	\$ 403,266	<u><u>395,937</u></u>	Market price is measured at net realizable value
Less: Allowance for inventory write downs and obsolescence	<u>(20,039)</u>	<u><u>383,227</u></u>	

D-LINK CORPORATION
Statement of other current assets
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Prepaid software fees	\$ 36,491
Advance payment	25,488
Prepaid warranty fees	4,416
Sales tax receivable	12,187
Input tax	15,024
Temporarily payment	1,939
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)	<u>3,207</u>
	<u>\$ 98,752</u>

D-LINK CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Increase (Decrease) (Note1) and (Note2)		Net income (losses) of investee	Unrealized gross profit on downstream transactions	Exchange differences on translation of foreign financial statements	Unrealized gains(losses) on financial assets measured at fair value through other comprehensive income (Note 3)	Other Changes (Note4)	Ending Balance			Market Value or Net Asset Value (Note7)
	Shares	Amount	Shares	Amount						Shares	Amount	Percentage of ownership	
Investments accounted for using equity method:													
D-Link Systems	47,295	\$ 1,299,802	750	24,426	44,144	(30,887)	147,639	-	22,401	48,045	1,507,525	100.00 %	1,533,799
D-Link Canada	5,736	279,408	-	-	(133,045)	(5,739)	13,222	-	-	5,736	153,846	100.00 %	159,585
D-Link International	66,075	2,205,874	-	-	(37,521)	(25,088)	335,546	-	-	66,075	2,478,811	99.36 %	2,797,257
D-Link Sudamerica	200	10,953	-	-	(2,161)	-	342	-	-	200	9,134	100.00 %	7,763
D-Link Mexicana	152	14,527	-	-	(12,785)	-	1,702	-	-	152	3,444	100.00 %	3,444
D-Link Middle East(Note 6)	-	797,809	-	-	148,303	(8,002)	95,302	-	-	-	1,033,412	83.33 %	1,075,788
D-Link Australia	999	149,831	1	20	8,931	(8,835)	6,438	-	-	1,000	156,385	100.00 %	165,120
D-Link Holding	68,063	1,684,899	-	(106,141)	62,373	(61,683)	106,846	136	(22,401)	68,063	1,664,029	100.00 %	1,881,895
D-Link Deutschland (Note 5)	-	120,050	-	-	-	-	-	-	-	-	120,050	- %	-
D-Link Japan	10	647,668	-	-	15,302	(20,595)	(15,966)	-	-	10	626,409	100.00 %	617,517
Cameo	137,533	1,394,856	-	-	18,203	-	8,867	(9,376)	4,081	137,533	1,416,631	41.58 %	1,416,590
Yeotai	14,600	62,598	-	-	(1,916)	-	-	(16,248)	-	14,600	44,434	100.00 %	44,434
D-Link Investment	2,200	(68,898)	-	-	129,066	-	(13,850)	-	-	2,200	46,318	100.00 %	46,318
		<u>8,599,377</u>		<u>(81,695)</u>	<u>238,894</u>	<u>(160,829)</u>	<u>686,088</u>	<u>(25,488)</u>	<u>4,081</u>		<u>9,260,428</u>		
Credit balance of equity investment:													
D-Link L.A.	41	(565,620)	-	-	-	-	(61,945)	-	-	41	(627,565)	100.00 %	(630,291)
D-Link Brazil	2,964,837	(117,935)	-	-	(38,943)	(56)	(22,655)	-	-	2,964,837	(179,589)	100.00 %	(179,533)
		<u>(683,555)</u>		<u>-</u>	<u>(38,943)</u>	<u>(56)</u>	<u>(84,600)</u>	<u>-</u>	<u>-</u>		<u>(807,154)</u>		
		<u>\$ 7,915,822</u>		<u>(81,695)</u>	<u>199,951</u>	<u>(160,885)</u>	<u>601,488</u>	<u>(25,488)</u>	<u>4,081</u>		<u>8,453,274</u>		

Note 1: The increase in current period is due to the reorganized. The buyback of D-Link Systems' and D-Link Australia's shares from subsidiaries amounted to \$24,426 thousand and \$20 thousand, respectively.

Note 2: The decrease in current period is due to the distribution of cash dividends using the equity method of \$106,141 thousand.

Note 3: The valuation of financial assets recognized by the investees were measured at fair value through other comprehensive income.

Note 4: The other changes were due to the reorganized. The buyback of D-Link Systems' shares from D-Link Holding resulted in a change in capital surplus of \$22,401 thousand and an increase in retained earnings of \$4,081 thousand from adjustments to investments accounted for using the equity method.

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

Note 6: D-Link ME has under a thousand shares.

Note 7: The total amount of net value is calculated by stockholders equity audited by CPAs multiplied by its shareholding ratio.

Note 8: Each investment accounted for using equity method is neither guaranteed nor mortgaged.

D-LINK CORPORATION
Statement of changes in property, plant and
equipment
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2022	Increase	Decrease	Transfer	Balance as of December 31, 2022
Land	\$ 531,453	-	-	-	531,453
Buildings	548,803	919	-	-	549,722
Others	626,454	43,575	154,848	-	515,181
	\$ 1,706,710	44,494	154,848	-	1,596,356

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

Item	Balance as of January 1, 2022	Increase	Decrease	Transfer	Balance as of December 31, 2022	Note
Accumulated Depreciation :						
Buildings	\$ 430,564	5,115	-	-	435,679	Note1
Others	548,639	47,204	154,848	-	440,995	Note2
	\$ 979,203	52,319	154,848	-	876,674	

Note 1: Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives. Estimated useful lives : 5~46 years.

Note 2: Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives. Estimated useful lives : 2~9 years.

D-LINK CORPORATION
Statement of changes in right-of-use assets
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Balance as of January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of December 31, 2022</u>
Buildings	\$ <u>18,321</u>	<u>-</u>	<u>(8,209)</u>	<u>10,112</u>

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

<u>Item</u>	<u>Balance as of January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of December 31, 2022</u>
Accumulated Depreciation :				
Buildings	\$ <u>6,818</u>	<u>2,857</u>	<u>(3,634)</u>	<u>6,041</u>

D-LINK CORPORATION
Statement of changes in investment property
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Land	\$ 30,000	-	-	30,000
Buildings	22,196	-	-	22,196
	\$ 52,196	-	-	52,196

**Statement of changes in accumulated depreciation of
investment property**

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Buildings	\$ 12,320	396	-	12,716

Note: Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives. Estimated useful lives : 9~55 years.

**Statement of changes in accumulated impairment of
investment property**

Item	Balance as of January 1, 2022	Increase	Decrease	Balance as of December 31, 2022
Buildings	\$ 1,000	-	-	1,000

D-LINK CORPORATION
Statement of changes in intangible assets
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Balance as of January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance as of December 31, 2022</u>	<u>Note</u>
Patents	\$ 15,028	-	-	(2,692)	12,336	Note 1
Computer software costs	19,139	1,071	-	(13,808)	6,402	Note 2
Other intangible assets	<u>11,295</u>	<u>42,263</u>	<u>(711)</u>	<u>(12,170)</u>	<u>40,677</u>	Note 2
Total	\$ <u>45,462</u>	<u>43,334</u>	<u>(711)</u>	<u>(28,670)</u>	<u>59,415</u>	

Note 1: Patents are amortized from their acquisition and are recognized in profit or loss on a straight line basis over the estimated useful lives. The estimated useful lives of patents are 16 years.

Note 2: Amortization is calculated on the cost of the asset less its residual value and accumulated impairment, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 2~8 years.

D-LINK CORPORATION
Statement of other non-current assets
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Refundable deposits	\$ 19,900
Others	<u>15,084</u>
Total	<u><u>\$ 34,984</u></u>

D-LINK CORPORATION
Statement of short-term loans
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Type of loans</u>	<u>Ending Balance</u>	<u>Term of contract</u>	<u>Interest rate(%)</u>	<u>Financing limit</u>	<u>Mortgages or guarantees</u>
Loans from related parties	\$ <u><u>421,749</u></u>	112	0.5~1	-	None

Statement of long-term loans

<u>Type of loans</u>	<u>Ending Balance</u>	<u>Term of contract</u>	<u>Interest rate(%)</u>	<u>Financing limit</u>	<u>Mortgages or guarantees</u>
Loans from related parties	\$ <u><u>752,346</u></u>	116	-	-	None

D-LINK CORPORATION

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

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares</u>	<u>Carrying Amount</u>	<u>Total</u>	<u>Interest Rate</u>	<u>Unit Price</u>	<u>Fair Value Total</u>	<u>Fair value changes are attributable to the changes of credit risk</u>	
Derivative financial liabilities									
Cross currency swaps		-	\$ -	-	-	%	-	177	-
Foward foreign exchange contracts		-	-	-	-	%	-	8,420	-
			\$	-			8,597	-	

D-LINK CORPORATION
Statement of note and accounts payables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Suppliers name</u>	<u>Amount</u>
Company a	\$ 110,727
Company b	121,031
Company c	276,484
Company d	255,997
Company e	126,806
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	<u>168,924</u>
	<u>\$ 1,059,969</u>

Note 1: Note payables and account payables are both generated from operating activities.

Note 2: Payables to related parties are not included in the payments above, please refer to Note 7 for further information.

D-LINK CORPORATION
Statement of other payables
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payables on salaries, bonuses, labor health insurances and pensions	\$ 98,302
Payables on research fees	14,034
Payables on equipment	23,571
Others (The amount of individual vendor included within“Others”does not exceed 30,000 thousand.)	<u>72,844</u>
	<u>\$ 208,751</u>

D-LINK CORPORATION
Statement of provisions - current
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Warranties	\$ 63,982
Litigations and royalties	<u>199,602</u>
	<u><u>\$ 263,584</u></u>

D-LINK CORPORATION
Statement of other current liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payables on income taxes	\$ 22,345
Payables in lieu of untaken annual leave	22,953
Temporary receipts	27,661
Others (The amount of individual item within“Others” does not exceed 5% of this account balance.)	<u>6,001</u>
	<u><u>\$ 78,960</u></u>

D-LINK CORPORATION
Statement of lease liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate%</u>	<u>Ending Balance</u>
Buildings	For office use	2~5 years	1.60~1.79	\$ 4,425
Less: classified as lease liabilities- current				<u>(1,956)</u>
Lease liabilities-non current				<u>\$ 2,469</u>

D-LINK CORPORATION
Statement of other non-current liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Investments accounted for using equity method-credit balance	\$ 807,154
Others	<u>3,074</u>
	<u>\$ 810,228</u>

D-LINK CORPORATION
Statement of operating revenue
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantities (per piece)</u>	<u>Amount</u>
Sales Revenue:		
Network communication products	20,057,048	\$ 6,937,651
Service Revenue		<u>303,178</u>
		<u>\$ 7,240,829</u>

D-LINK CORPORATION
Statement of operating costs
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Beginning Inventories	\$ 110,634
Add : Purchases	6,370,743
Less: Ending Inventories	403,266
Transferring to expenses and others	<u>12,311</u>
Cost of goods sold	6,065,800
Warranty Costs	17,509
Losses related to inventories	12,921
Cost of network services	27,027
Others	<u>4,351</u>
	<u><u>\$ 6,127,608</u></u>

D-LINK CORPORATION
Statement of selling expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 289,722	
Royalty expenses		6,258	
Service expenses		7,371	
Depreciation and amortization		46,187	
Maintenance of software		2,209	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>52,680</u>	
		<u>\$ 404,427</u>	

D-LINK CORPORATION
Statement of administrative expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 118,250	
Service Expenses		86,315	
Depreciation and Amortization		13,410	
Royalty expenses		24,012	
Maintenance of software		17,261	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>40,736</u>	
		\$ <u><u>299,984</u></u>	

D-LINK CORPORATION
Statement of research and development expense
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 234,735	
Outsourcing research expenses		43,945	
Depreciation and Amortization		24,641	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>30,669</u>	
		<u>\$ 333,990</u>	

D-LINK CORPORATION
Statement of finance costs
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		\$ 4,367	
Others		<u>111</u>	
		<u>\$ 4,478</u>	

D-LINK CORPORATION
Statement of other income and other gains and
losses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Other income:	
Rental income	\$ 5,058
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	4,364
	\$ 9,422
Other gains and losses:	
Foreign currency exchange gains	\$ 4,944
Valuation gains from financial assets and liabilities	15,964
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	(2,779)
	\$ 18,129