

**D-LINK CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors
D-LINK CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of D-LINK CORPORATION and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$4,943,761 thousand and \$6,723,470 thousand, constituting 28% and 42% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to \$1,338,774 thousand and \$2,200,321 thousand, constituting 23% and 34% of consolidated total liabilities as of September 30, 2023 and 2022, and total comprehensive income amounting to \$324,536 thousand, \$550,656 thousand, \$380,663 thousand and \$1,086,862 thousand, constituting 191%, 202%, 57% and 165% of consolidated total comprehensive income for the three months and nine months ended September 30, 2023 and 2022, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as of September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Hsieh, Chiu-Hua and Chang, Shu-Ying.

KPMG

Taipei, Taiwan (Republic of China)
November 14, 2023

Notes to Readers

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

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

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

D-LINK CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****September 30, 2023, December 31, 2022, and September 30, 2022****(Expressed in Thousands of New Taiwan Dollar)**

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 4,033,180	23	2,713,085	18	3,030,904	19	2100	Short-term borrowings (note 6(n))	\$ -	-	-	-	180,000	1
1110	Financial assets at fair value through profit or loss							2120	Financial liabilities at fair value through profit or loss						
	— current (note 6(b))	406,226	2	284,830	2	248,170	2		loss — current (note 6(b))	6,776	-	15,331	-	2,397	-
1150	Notes receivable, net (note 6(c))	6,037	-	5,660	-	4,615	-	2130	Current contract liabilities (notes 6(x) and 7)	180,794	1	109,075	1	229,079	1
1170	Accounts receivable, net (note 6(c))	3,372,911	20	3,421,795	22	3,664,896	23	2150	Notes payable	274	-	2,056	-	2,217	-
1180	Accounts receivable due from related parties, net							2170	Accounts payable	1,816,977	10	2,198,737	14	2,347,453	15
	(notes 6(c) and 7)	153	-	5,027	-	1,063	-	2180	Accounts payable to related parties (note 7)	182,065	1	735,769	5	907,188	6
1197	Finance lease payment receivable (note 6(d))	37,291	-	32,553	-	32,128	-	2200	Other payables (notes 6(o) and 7)	1,041,857	6	876,143	6	948,102	6
1200	Other receivables (notes 6(c) and 7)	30,000	-	20,102	-	54,274	-	2230	Current tax liabilities	23,814	-	31,027	-	6,704	-
1220	Current tax assets	21,736	-	20,783	-	8,207	-	2250	Current provisions (note 6(q))	309,384	2	305,909	2	314,003	2
130X	Inventories (note 6(e))	4,213,856	24	4,069,166	26	4,035,212	25	2280	Current lease liabilities (note 6(p))	179,312	1	144,423	1	136,027	1
1421	Prepayment for purchase (note 7)	59,337	-	69,748	1	153,350	1	2320	Current portion of long-term liabilities (note 6(n))	122,151	1	-	-	-	-
1470	Other current assets (note 8)	724,447	5	461,119	3	429,422	3	2365	Current refund liability (note 6(r))	530,930	3	473,514	3	456,742	3
		<u>12,905,174</u>	<u>74</u>	<u>11,103,868</u>	<u>72</u>	<u>11,662,241</u>	<u>73</u>	2399	Other current liabilities	101,411	1	61,430	-	39,990	-
										<u>4,495,745</u>	<u>26</u>	<u>4,953,414</u>	<u>32</u>	<u>5,569,902</u>	<u>35</u>
Non-current assets:								Non-Current liabilities:							
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(b))	19,441	-	16,703	-	16,265	-	2540	Long-term borrowings (note 6(n))	559,419	3	-	-	-	-
1550	Investments accounted for using equity method (note 6(f))	5,546	-	1,420,297	9	1,403,347	9	2570	Deferred tax liabilities (note 6(u))	127,176	1	323,120	2	317,265	2
1600	Property, plant and equipment (notes 6(i) and 8)	2,317,815	13	978,816	6	1,014,485	6	2580	Non-current lease liabilities (note 6(p))	303,124	2	309,563	2	289,145	2
1755	Right-of-use assets (note 6(j))	346,099	2	303,509	2	263,090	3	2600	Other non-current liabilities (note 6(t))	252,583	1	273,988	2	269,510	2
1760	Investment property, net (note 6(k))	38,182	-	38,480	-	38,579	-			<u>1,242,302</u>	<u>7</u>	<u>906,671</u>	<u>6</u>	<u>875,920</u>	<u>6</u>
1780	Intangible assets (note 6(l))	882,523	5	516,922	3	523,293	3		Total liabilities	<u>5,738,047</u>	<u>33</u>	<u>5,860,085</u>	<u>38</u>	<u>6,445,822</u>	<u>41</u>
1840	Deferred tax assets (note 6(u))	569,214	3	687,114	5	647,839	4	Equity attributable to owners of parent: (note 6(v))							
1990	Other non-current assets (notes 6(t) and 8)	312,810	2	243,868	2	212,969	1	3110	Ordinary shares	6,028,365	34	5,998,365	39	5,998,365	38
194D	Long-term lease payment receivable, net (note 6(d))	89,445	1	111,964	1	124,674	1	3200	Capital surplus	1,364,335	8	1,342,623	9	1,342,623	8
		<u>4,581,075</u>	<u>26</u>	<u>4,317,673</u>	<u>28</u>	<u>4,244,541</u>	<u>27</u>		Retained earnings:						
								3310	Legal reserve	2,144,259	12	2,129,290	14	2,129,290	13
								3320	Special reserve	693,165	4	693,165	4	693,165	4
								3350	Unappropriated retained earnings (accumulated deficit)	523,881	3	149,686	1	(175,567)	(1)
										<u>3,361,305</u>	<u>19</u>	<u>2,972,141</u>	<u>19</u>	<u>2,646,888</u>	<u>16</u>
								3400	Other equity interest	(1,454,853)	(8)	(1,403,457)	(9)	(1,161,798)	(7)
								3500	Treasury shares	(82,823)	-	-	-	-	-
									Total equity attributable to owners of parent	<u>9,216,329</u>	<u>53</u>	<u>8,909,672</u>	<u>58</u>	<u>8,826,078</u>	<u>55</u>
								36XX	Non-controlling interests (notes 6(h) and (v))	2,531,873	14	651,784	4	634,882	4
									Total equity	<u>11,748,202</u>	<u>67</u>	<u>9,561,456</u>	<u>62</u>	<u>9,460,960</u>	<u>59</u>
Total assets		<u>\$ 17,486,249</u>	<u>100</u>	<u>15,421,541</u>	<u>100</u>	<u>15,906,782</u>	<u>100</u>	Total liabilities and equity		<u>\$ 17,486,249</u>	<u>100</u>	<u>15,421,541</u>	<u>100</u>	<u>15,906,782</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

D-LINK CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Common Share)**

	For the three months ended				For the nine months ended				
	September 30				September 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net operating revenues (notes 6(x) and 7)								
5000	Operating costs (notes 6(e), (t) and 7)								
	Gross profit from operations								
	Operating expenses: (notes 6(c), (i), (j), (k), (l), (p), (s), (t) and (y))								
6100	Selling expenses	546,998	14	582,958	13	1,695,696	14	1,720,858	14
6200	Administrative expenses	219,395	6	189,725	4	673,351	5	674,941	5
6300	Research and development expenses	190,071	5	124,217	3	505,523	4	394,397	3
6450	Expected credit losses (reversal gain) (note 6(c))	3,016	-	(422)	-	7,438	-	(3,731)	-
		<u>959,480</u>	<u>25</u>	<u>896,478</u>	<u>20</u>	<u>2,882,008</u>	<u>23</u>	<u>2,786,465</u>	<u>22</u>
	Net operating income	<u>11,523</u>	<u>-</u>	<u>26,745</u>	<u>1</u>	<u>212,461</u>	<u>2</u>	<u>171,447</u>	<u>1</u>
	Non-operating income and expenses:								
7100	Interest income (notes 6(z) and 7)	17,923	-	5,867	-	45,504	-	14,128	-
7010	Other income (notes 6(z) and 7)	2,538	-	1,819	-	4,715	-	4,441	-
7020	Other gains and losses (notes 6(f), (z), (ab) and 7)	79,887	2	23,006	1	517,073	4	(120,688)	(1)
7050	Finance costs (notes 6(p) and (z))	(8,985)	-	(4,295)	-	(24,294)	-	(12,854)	-
7060	Share of profit of associates accounted for using equity method (note 6(f))	(2,287)	-	17,692	-	(6,156)	-	(9,298)	-
		<u>89,076</u>	<u>2</u>	<u>44,089</u>	<u>1</u>	<u>536,842</u>	<u>4</u>	<u>(124,271)</u>	<u>(1)</u>
	Profit before tax	<u>100,599</u>	<u>2</u>	<u>70,834</u>	<u>2</u>	<u>749,303</u>	<u>6</u>	<u>47,176</u>	<u>-</u>
7950	Less: Income tax expenses (note 6(u))	<u>46,595</u>	<u>1</u>	<u>23,278</u>	<u>1</u>	<u>107,146</u>	<u>1</u>	<u>119,810</u>	<u>1</u>
	Net profit (loss)	<u>54,004</u>	<u>1</u>	<u>47,556</u>	<u>1</u>	<u>642,157</u>	<u>5</u>	<u>(72,634)</u>	<u>(1)</u>
8300	Other comprehensive income (loss):								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss (note 6(v))								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(309)	-	(1,925)	-	2,723	-	(16,624)	-
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	-	-	452	-	8,473	-	(9,715)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		<u>(309)</u>	<u>-</u>	<u>(1,473)</u>	<u>-</u>	<u>11,196</u>	<u>-</u>	<u>(26,339)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(v) and (aa))								
8361	Exchange differences on translation of foreign financial statements	137,383	3	268,677	6	(6,300)	-	893,629	7
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(38)	-	53	-	805	-	14,445	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(u))	(21,387)	-	(42,297)	(1)	24,092	-	(149,026)	(1)
		<u>115,958</u>	<u>3</u>	<u>226,433</u>	<u>5</u>	<u>18,597</u>	<u>-</u>	<u>759,048</u>	<u>6</u>
8300	Other comprehensive income, net	<u>115,649</u>	<u>3</u>	<u>224,960</u>	<u>5</u>	<u>29,793</u>	<u>-</u>	<u>732,709</u>	<u>6</u>
	Total comprehensive income	<u>\$ 169,653</u>	<u>4</u>	<u>272,516</u>	<u>6</u>	<u>671,950</u>	<u>5</u>	<u>660,075</u>	<u>5</u>
	Net profit (loss) attributable to:								
8610	Owners of parent	\$ 14,722	-	1,885	1	539,184	4	(174,643)	(2)
8620	Non-controlling interests	39,282	1	45,671	-	102,973	1	102,009	1
		<u>\$ 54,004</u>	<u>1</u>	<u>47,556</u>	<u>1</u>	<u>642,157</u>	<u>5</u>	<u>(72,634)</u>	<u>(1)</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 102,286	3	202,884	5	532,113	4	528,670	4
8720	Non-controlling interests	67,367	1	69,632	1	139,837	1	131,405	1
		<u>\$ 169,653</u>	<u>4</u>	<u>272,516</u>	<u>6</u>	<u>671,950</u>	<u>5</u>	<u>660,075</u>	<u>5</u>
	Basic earnings (loss) per share (New Taiwan dollars) (note 6(w))	<u>\$ 0.02</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.90</u>	<u>(0.29)</u>	<u>(0.29)</u>	<u>(0.29)</u>
	Diluted earnings (loss) per share (New Taiwan dollars) (note 6(w))	<u>\$ 0.02</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.90</u>	<u>(0.29)</u>	<u>(0.29)</u>	<u>(0.29)</u>

See accompanying notes to consolidated financial statements.

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

D-LINK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent											
	Retained earnings					Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2022	\$ 5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	-	-	8,477,358	524,978	9,002,336
Net (loss) profit for the nine months ended September 30, 2022	-	-	-	-	(174,643)	-	-	-	-	(174,643)	102,009	(72,634)
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	729,652	(26,339)	-	-	703,313	29,396	732,709
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	(174,643)	729,652	(26,339)	-	-	528,670	131,405	660,075
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	19,264	-	(19,264)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	280,213	(280,213)	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(179,950)	-	-	-	-	-	-	-	(179,950)	-	(179,950)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(21,501)	(21,501)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(924)	-	924	-	-	-	-	-
Balance at September 30, 2022	\$ 5,998,365	1,342,623	2,129,290	693,165	(175,567)	(1,133,944)	(27,854)	-	-	8,826,078	634,882	9,460,960
Balance at January 1, 2023	\$ 5,998,365	1,342,623	2,129,290	693,165	149,686	(1,359,264)	(44,193)	-	-	8,909,672	651,784	9,561,456
Net profit for the nine months ended September 30, 2023	-	-	-	-	539,184	-	-	-	-	539,184	102,973	642,157
Other comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	(18,267)	11,196	-	-	(7,071)	36,864	29,793
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	539,184	(18,267)	11,196	-	-	532,113	139,837	671,950
Issue employee restricted share	30,000	21,205	-	-	-	-	-	(48,431)	-	2,774	-	2,774
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	14,969	-	(14,969)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(134,717)	-	-	-	-	(134,717)	-	(134,717)
Changes in equity of associates accounted for using equity method	-	-	-	-	17	-	-	-	-	17	-	17
Disposal of investments accounted for using equity method	-	-	-	-	(15,320)	(11,214)	15,320	-	-	(11,214)	-	(11,214)
Shares of the parent company held by its subsidiaries which are regarded as treasury shares	-	-	-	-	-	-	-	-	(82,823)	(82,823)	-	(82,823)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	507	-	-	-	-	-	-	-	507	-	507
Acquired changes in non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,850,939	1,850,939
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(110,687)	(110,687)
Balance at September 30, 2023	\$ 6,028,365	1,364,335	2,144,259	693,165	523,881	(1,388,745)	(17,677)	(48,431)	(82,823)	9,216,329	2,531,873	11,748,202

See accompanying notes to consolidated financial statements.

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

D-LINK CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 749,303	47,176
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	221,133	156,172
Amortization expense	25,637	24,094
Expected credit loss (reversal gain)	7,438	(3,731)
Net gain on financial assets or liabilities at fair value through profit or loss	(29,833)	(79,259)
Interest expense	24,294	12,854
Interest income	(45,504)	(14,128)
Dividend income	(1,060)	(578)
Share of loss of associates accounted for using equity method	6,156	9,298
Gain on disposal of investments	(357,713)	(6,471)
Write-down loss of inventories to net realizable value	201,983	98,704
Other	64,103	106,256
Total adjustments to reconcile profit	<u>116,634</u>	<u>303,211</u>
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(82,398)	102,933
(Increase) decrease in notes receivable	(377)	668
Decrease (increase) in accounts receivable	378,807	(256,066)
Decrease in accounts receivable due from related parties	8,234	9,458
Decrease in other receivables	99,825	13,291
Decrease in lease payment receivable	24,078	20,179
Decrease (increase) in inventories	723,951	(922,471)
Decrease in prepayment for purchase	10,411	20,306
Increase in other current assets	(225,297)	(53,991)
Decrease (increase) in other non-current assets	19,531	(24,661)
Total changes in operating assets	<u>956,765</u>	<u>(1,090,354)</u>
Increase in current contract liabilities	52,616	94,246
(Decrease) increase in notes payable	(1,782)	2,206
(Decrease) increase in accounts payable	(1,385,222)	10,713
Increase in accounts payable to related parties	188,916	619,660
(Decrease) increase in other payable	(16,743)	44,925
Decrease in current provisions	(13,612)	(12,209)
Increase in current refund liabilities	57,416	43
Increase (decrease) in other current liabilities	5,825	(11,075)
(Decrease) increase in other non-current liabilities	(22,830)	6,546
Total changes in operating liabilities	<u>(1,135,416)</u>	<u>755,055</u>
Total changes in operating assets and liabilities	<u>(178,651)</u>	<u>(335,299)</u>
Total adjustments	<u>(62,017)</u>	<u>(32,088)</u>
Cash flows from operations	687,286	15,088
Interest received	45,504	13,770
Dividends received	1,060	578
Interest paid	(24,294)	(17,527)
Income taxes paid	(175,132)	(92,847)
Net cash flows from (used in) operating activities	<u>534,424</u>	<u>(80,938)</u>
Cash flows from investing activities:		
Net cash flow from acquisition of subsidiaries	1,446,744	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	578
Acquisition of property, plant and equipment	(43,160)	(35,881)
Proceeds from disposal of property, plant and equipment	292	-
(Increase) decrease in refundable deposits	(21,642)	124
Acquisition of intangible assets	(16,823)	(30,605)
Liquidation refund	-	206,757
Other investing activities	(2,947)	(4,947)
Net cash flows from investing activities	<u>1,362,464</u>	<u>136,026</u>
Cash flows from financing activities:		
Increase in short-term borrowings	-	180,000
Increase in guarantee deposits received	1,425	2,094
Payment of lease liabilities	(143,793)	(93,536)
Decrease in long-term borrowings	(183,227)	-
Cash dividends paid	(244,897)	(201,451)
Net cash flows used in financing activities	<u>(570,492)</u>	<u>(112,893)</u>
Effect of exchange rate changes on cash and cash equivalents	(6,301)	893,629
Net increase in cash and cash equivalents	1,320,095	835,824
Cash and cash equivalents at the beginning of period	2,713,085	2,195,080
Cash and cash equivalents at the end of period	<u>\$ 4,033,180</u>	<u>3,030,904</u>

See accompanying notes to consolidated financial statements.

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

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2023 and 2022

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

(1) Company history

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

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

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on November 14, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- 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”

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

The Consolidated Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

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

- (a) Statement of Compliance

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

- (b) Basis of Preparation

- (i) Basis of Measurement

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

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

(Continued)

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	100.00 %	Note 1
The Company	D-Link Canada Inc. (D-Link Canada)	Sales and after-sales service	- %	100.00 %	100.00 %	The Company sold 100% of its shareholding in D-Link Canada to D-Link Systems in January 2023. Note 1
The Company	D-Link Japan K.K. (D-Link Japan)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
The Company	D-Link Investment Pte Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	100.00 %	Note 1

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	D-Link (Europe) Ltd. (D-Link Europe)	Sales and after-sales service	100.00 %	- %	- %	D-Link Corporation acquired 100% of the shareholdings in D-Link Europe from D-Link Holding in May 2023.
The Company	Cameo Communications, Inc. (Cameo)	Manufacturing, sales, research and development	41.58 %	- %	- %	Cameo became a consolidated subsidiary of the Company since April 1, 2023.
The Company and D-Link Holding	D-Link Sudamerica SpA (D-Link Sudamerica)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	D-Link Sudamerica S.A. was renamed to D-Link Sudamerica SpA on June 27, 2023. Note 1
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	In liquidation process
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	D-Link Holding transferred 1.56% of its shareholding in D-Link Systems to the Company in November 2022. Note 1
D-Link Systems	D-Link Canada	Sales and after-sales service	100.00 %	- %	- %	D-Link Systems acquired 100% of the shareholdings in D-Link Canada from the Company in January 2023. Note 1
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	D-Link International transferred 0.1% of its shareholding in D-Link Australia to the Company in December 2022. Note 1
The Company and D-Link International	D-Link Middle East FZE (D-Link ME)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	D-Link Middle East FZCO became a major subsidiary of the Consolidated Company in 2023, and was renamed to D-Link Middle East FZE in April 2023.
D-Link International	D-Link Korea Limited (D-Link Korea)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link International	D-Link Trade M (D-Link Moldova)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
D-Link International	D-Link Capital Investment Co., Ltd. (D-Link Capital Investment)	Investment Company	100.00 %	100.00 %	100.00 %	D-Link Russia Investment Co., Ltd. was renamed to D-Link Capital Investment Co., Ltd. in July 28, 2023. Note 1
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Lithuania	D-Link Service (Ukraine) (D-Link Ukraine)	Sales and after sales service	100.00 %	- %	- %	Note 1
D-Link Lithuania	D-Link Service (Kazakhstan) (D-Link Kazakhstan)	Sales and after sales service	100.00 %	- %	- %	Note 1
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	100.00 %	
D-Link Holding	D-Link Europe	Sales and after-sales service	-	100.00 %	100.00 %	D-Link Corporation acquired 100% of the shareholdings in D-Link Europe from D-Link Holding in May 2023.
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	100.00 %	Note 1
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	100.00 %	Note 1
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	100.00 %	Note 1
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Sales and after-sales service	51.02 %	51.02 %	51.02 %	
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link France SARL (D-Link France)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link AB	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
D-Link Europe	D-Link s.r.o	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Shiang-Hai (Cayman)	D-Link (Shanghai) Co., Ltd (D-Link Shanghai)	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Shiang-Hai (Cayman)	Netpro (Shanghai) Co., Ltd (Netpro)	Research, development and trading	100.00 %	100.00 %	100.00 %	Note 1
D-Link Mediterraneo	D-Link Adria d.o.o.	Sales and after-sales service	100.00 %	100.00 %	100.00 %	In liquidation process
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Sudamerica	D-Link de Colombia S.A.S	Sales and after-sales service	100.00 %	100.00 %	100.00 %	Note 1
D-Link Sudamerica	D-Link Guatemala S.A.	Sales and after-sales service	99.00 %	99.00 %	99.00 %	In liquidation process
D-Link Sudamerica	D-Link Argentina S.A.	Sales and after-sales service	100.00 %	100.00 %	100.00 %	In liquidation process
Cameo	Qianjin Investment Co., Ltd.(Qianjin Investment)	Investment company	100.00 %	- %	- %	
Cameo	Huge Castle Ltd (Huge Castle)	Investment company	100.00 %	- %	- %	
Qianjin Investment	Soarnex Technology Corporation (Soarnex Technology)	International trade, and wholesale of telecommunications equipment and information software	- %	- %	- %	Note 2
Huge Castle	Perfect Choice Co., Ltd. (PC)	Investment company and trading	100.00 %	- %	- %	
Huge Castle	Luis Jo'se Investment Inc. (Luis Jo'se)	Investment company	100.00 %	- %	- %	Note 1
PC	Nettech Technology (Suzhou) Co., Ltd	Production, processing, and sale of electronic communications equipment	- %	- %	- %	Note 3
Luis Jo'se	Suzhou Soarnex Technology Co., Ltd	Software development and software services on computer information systems	100.00 %	- %	- %	Note 1

Note 1: It was a non-significant subsidiary and the financial statements were not reviewed by independent auditors.

Note 2: Soarnex Technology was dissolved based on a resolution of the Board of Directors held on August 9, 2022, and obtained the approval letter of the Taipei City Government on August 15, 2022. Thereafter, Soarnex Technology was completed liquidation on April 24, 2023, and the remaining shares were remitted to Qianjin Investment.

Note 3: The Board of Directors held in November 2022 resolved the liquidation of Nettech Technology (Suzhou) Co., Ltd, with the approval of the National Administration of Financial Regulation (NAFR) on August 31, 2023, and the remaining shares were remitted to PC on August 4, 2023.

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

(Continued)

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

(d) Business combination

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

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

In a business combination achieved in stages, the Consolidated Company remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Consolidated Company may have recognized changes in the value of its equity interest in the acquired in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Consolidated Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Consolidated Company's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(e) Inventories

The original cost of inventories refers to the necessary expenditures incurred to bring the inventories to the state and location available for sale, or the acquisition, production or processing costs, and other costs, incurred to bring the inventory to the location and state available for use. Subsequently, inventories are measured at the lower of cost and net realizable value, wherein the cost is calculated using the weighted-average method. Net realizable value is based on the estimated selling price of inventories less all further costs to completion and all relevant marketing and selling costs. Related expenses/losses and incomes of inventory are included in the cost of sales.

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

(Continued)

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings and improvements: 5~60 years
- 2) Machinery equipment : 2~10 years
- 3) Transportation, office equipment and others: 2~9 years

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

(iv) Reclassification to investment property

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

(g) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(Continued)

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

(iii) Short-term employee benefits

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

(h) Share-based payment

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

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

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

(i) Income Taxes

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

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

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

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

(Continued)

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the 2022 annual consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and Cash Equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 4,375	4,173	6,637
Checking and saving accounts	2,740,459	2,530,494	2,774,335
Time deposit	<u>1,288,346</u>	<u>178,418</u>	<u>249,932</u>
Cash and Cash Equivalents	<u>\$ 4,033,180</u>	<u>2,713,085</u>	<u>3,030,904</u>

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

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

(Continued)

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

(b) Financial Assets and Liabilities

(i) Details were as follows

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily measured at fair value through profit or loss - current			
Beneficiary certificates – mutual funds	\$ 367,362	267,398	180,345
Cross currency swaps	22,479	17,234	47,565
Forward foreign exchange contracts	<u>16,385</u>	<u>198</u>	<u>20,260</u>
	<u><u>\$ 406,226</u></u>	<u><u>284,830</u></u>	<u><u>248,170</u></u>
Financial liabilities at fair value through profit or loss - current			
Cross currency swaps	\$ 6,735	1,361	2,106
Forward foreign exchange contracts	<u>41</u>	<u>13,970</u>	<u>291</u>
	<u><u>\$ 6,776</u></u>	<u><u>15,331</u></u>	<u><u>2,397</u></u>
	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through other comprehensive income - non-current			
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	\$ 3,889	4,111	4,383
Kaimei Electronic Corp. (Kaimei)	15,338	12,377	11,660
StemCyte International. LTD (Stemcyte)	<u>214</u>	<u>215</u>	<u>222</u>
	<u><u>\$ 19,441</u></u>	<u><u>16,703</u></u>	<u><u>16,265</u></u>

- 1) On July 14, 2022, Kaimei reduced its capital by 20% in cash and refund the capital reduction payment amounting to \$578 thousand.
- 2) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(ab).
- 3) As of September 30, 2023, December 31, 2022 and September 30, 2022, no financial assets are pledged as collateral.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES
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(ii) Sensitivity analysis – equity market price risk:

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

Security price at reporting date	For the nine months ended September 30,			
	2023		2022	
	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$ <u>554</u>	<u>8,596</u>	<u>455</u>	<u>4,220</u>
Decrease 3%	\$ <u>(554)</u>	<u>(8,596)</u>	<u>(455)</u>	<u>(4,220)</u>

(iii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk arising from the Consolidated Company's operating, financing and investing activities. As of September 30, 2023, December 31, 2022 and September 30, 2022, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

1) Derivative financial assets

	September 30, 2023				December 31, 2022			September 30, 2022		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	
Cross currency swaps:										
USD	\$ 18,500	USD	2023.10~11	28,200	USD	2023.01~03	19,700	USD	2022.10~11	
EUR	12,000	EUR	2023.10~11	-	-	-	3,000	EUR	2022.10	
JPY	-	-	-	1,800,000	JPY	2023.01~02	1,250,000	JPY	2022.10~11	
CNH	54,994	CNH	2023.10~11	127,134	CNH	2023.01	92,737	CNH	2022.10~11	
AUD	-	-	-	-	-	-	600	AUD	2022.10	
CAD	1,400	CAD	2023.11	-	-	-	700	CAD	2022.10	
Forward foreign exchange contracts:										
USD (buy)	-	-	-	-	-	-	4,200	USD	2022.10	
CNH (buy)	11,035	CNH	2023.10	-	-	-	-	-	-	
AUD (sell)	1,350	AUD	2023.10~11	-	-	-	1,600	AUD	2022.10	
CAD (sell)	-	-	-	900	CAD	2023.01~02	500	CAD	2022.10	
EUR (sell)	8,800	EUR	2023.10~11	1,400	EUR	2023.02	6,200	EUR	2022.10~11	
BRL (sell)	15,329	BRL	2023.10	-	-	-	31,337	BRL	2022.10	
KRW (sell)	3,740,800	KRW	2023.10	-	-	-	3,502,300	KRW	2022.10	
INR (sell)	-	-	-	-	-	-	59,837	INR	2022.10	
GBP (sell)	-	-	-	-	-	-	300	GBP	2022.10	
JPY (sell)	490,000	JPY	2023.10~11	-	-	-	530,000	JPY	2022.10~11	
IDR (sell)	15,420,000	IDR	2023.10	-	-	-	24,072,000	IDR	2022.10	
CNH (buy)	16,935	CNH	2023.10~11	-	-	-	-	-	-	

(Continued)

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Notes to the Consolidated Financial Statements

2) Derivative financial liabilities

	September 30, 2023			December 31, 2022			September 30, 2022		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:									
CNH	87,601	CNH	2023.10~11	41,664	CNH	2023.01	-	-	-
EUR	-	-	-	3,200	EUR	2023.01~02	-	-	-
JPY	1,800,000	JPY	2023.10~12	-	-	-	800,000	JPY	2022.10
CAD	1,000	CAD	2023.10	500	CAD	2023.01	-	-	-
AUD	-	-	-	600	AUD	2023.01	-	-	-
Forward foreign exchange contracts:									
IDR (sell)	-	-	-	21,805,000	IDR	2023.01	3,032,000	IDR	2022.10
BRL (sell)	-	-	-	26,625	BRL	2023.01	-	-	-
INR (sell)	145,502	INR	2023.10	227,782	INR	2023.01	105,832	INR	2022.10
CAD (sell)	-	-	-	1,000	CAD	2023.02	400	CAD	2022.10
EUR (sell)	-	-	-	6,300	EUR	2023.01~02	1,000	EUR	2022.10
AUD (sell)	-	-	-	1,700	AUD	2023.01~03	700	AUD	2022.10
KRW (sell)	-	-	-	4,420,970	KRW	2023.01	-	-	-
JYP (sell)	-	-	-	1,025,060	JPY	2023.01~03	-	-	-
CNH (buy)	-	-	-	24,301	CNH	2023.01	-	-	-

(c) Notes and accounts receivable and other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable for operating activities	\$ 6,037	5,660	4,615
Accounts receivable - measured at amortized cost	3,462,557	3,498,986	3,743,333
Account receivable - related parties	153	5,127	1,096
Other receivables	<u>43,553</u>	<u>20,102</u>	<u>54,274</u>
	3,512,300	3,529,875	3,803,318
Less: Loss Provision	<u>(103,199)</u>	<u>(77,291)</u>	<u>(78,470)</u>
	<u>\$ 3,409,101</u>	<u>3,452,584</u>	<u>3,724,848</u>

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

(Continued)

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

September 30, 2023

	Gross carrying amount	Weighted- average loss rate	Loss provision
Current	\$ 2,797,789	0.43%	12,135
90 days or less past due	567,585	0.26%	1,491
91 to 180 days past due	37,272	11.50%	4,288
181 to 270 days past due	15,814	25.70%	4,063
271 to 360 days past due	1,730	70.74%	1,224
More than 360 days past due	<u>92,110</u>	86.85%	<u>79,998</u>
	<u><u>\$ 3,512,300</u></u>		<u><u>103,199</u></u>

December 31, 2022

	Gross carrying amount	Weighted- average loss rate	Loss provision
Current	\$ 2,782,658	0.38%	10,705
90 days or less past due	668,017	0.43%	2,887
91 to 180 days past due	4,019	17.75%	713
181 to 270 days past due	986	41.45%	409
271 to 360 days past due	213	70.32%	150
More than 360 days past due	<u>73,982</u>	84.38%	<u>62,427</u>
	<u><u>\$ 3,529,875</u></u>		<u><u>77,291</u></u>

September 30, 2022

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

(Continued)

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

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1, 2023 and 2022	\$ 77,291	83,158
Expected credit loss (reversal)	7,438	(3,731)
Amounts written off	(129)	(10,304)
Acquisition of subsidiaries	13,553	-
Others	<u>5,046</u>	<u>9,347</u>
Balance at September 30, 2023 and 2022	<u><u>\$ 103,199</u></u>	<u><u>78,470</u></u>

(d) Finance lease payment receivable

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Less than one year	\$ 40,646	36,559	36,529
One to two years	41,908	38,978	39,985
Two to three years	43,207	40,187	41,226
Three to four years	7,329	37,944	42,504
Four to five years	<u>-</u>	<u>-</u>	<u>7,210</u>
Total lease payments receivable	133,090	153,668	167,454
Unearned finance income	<u>(6,354)</u>	<u>(9,151)</u>	<u>(10,652)</u>
Total lease payments receivable (Present value of lease payments receivable)	<u><u>\$ 126,736</u></u>	<u><u>144,517</u></u>	<u><u>156,802</u></u>

(e) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 541,585	-	-
Work in process and Semi-finished products	80,091	-	-
Merchandise and finished goods	<u>3,592,180</u>	<u>4,069,166</u>	<u>4,035,212</u>
	<u><u>\$ 4,213,856</u></u>	<u><u>4,069,166</u></u>	<u><u>4,035,212</u></u>

(Continued)

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

The operating cost comprises of cost of goods sold, write-down loss (reversal of write-down loss) of inventories to net realizable value, warranty costs and other loss (gain). For the three months and the nine months ended September 30, 2023 and 2022, the cost of good sold were \$2,756,547 thousand, \$3,379,410 thousand, \$8,775,778 thousand, and \$9,394,035 thousand, respectively. The loss on product warranty, obsolescence and order cancellation amounted to \$62,514 thousand, \$99,726 thousand, \$159,345 thousand and \$206,144 thousand for the three months and the nine months ended September 30, 2023 and 2022, respectively. For the three months and nine months ended September 30, 2023 and 2022, the Consolidated Company recognized write-down loss of inventories to net realizable value of \$34,377 thousand, \$82,636 thousand, \$201,983 thousand and \$98,704 thousand, respectively, because of the shortage of materials and the increase in logistics time to increase stocking.

As of September 30, 2023, December 31, 2022 and September 30, 2022, no inventories were pledged as collateral.

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Associates	\$ <u>5,546</u>	<u>1,420,297</u>	<u>1,403,347</u>

(i) Associates

The information on a significant associate of the Consolidated Company was as follows:

Name of Associate	Name of relationship with the Consolidated Company	Main operating location/ Registered Country of the Company	Ownership interest/Voting rights held		
			September 30, 2023	December 31, 2022	September 30, 2022
Cameo	Its major business activities are the manufacturing and sales of network system equipment and related components, as well as research and development of related technologies. It also serves as the supplier of the Consolidated Company. The Consolidated Company obtained control of Cameo and included it as a consolidated subsidiary on April 1, 2023.	Taiwan	41.58 %	41.58 %	41.58 %

(Continued)

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

- 1) The financial information on Cameo was summarized as follows:

	December 31, 2022	September 30, 2022
Current assets	\$ 3,871,200	3,789,592
Non-current assets	1,732,411	1,745,985
Current liabilities	1,484,128	1,436,194
Non-current liabilities	<u>885,525</u>	<u>917,083</u>
Net assets	<u><u>\$ 3,233,958</u></u>	<u><u>3,182,300</u></u>
Net assets attributable to investee's shareholders	<u><u>\$ 3,233,958</u></u>	<u><u>3,182,300</u></u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating revenue	\$ -	<u>1,069,207</u>	<u>1,070,847</u>	<u>2,301,151</u>
Net income	\$ -	80,792	10,962	45,965
Other comprehensive income	<u>-</u>	<u>480</u>	<u>22,229</u>	<u>5,984</u>
Total comprehensive income	<u><u>\$ -</u></u>	<u><u>81,272</u></u>	<u><u>33,191</u></u>	<u><u>51,949</u></u>
Total comprehensive income attributable to investee's shareholders	<u><u>\$ -</u></u>	<u><u>81,272</u></u>	<u><u>33,191</u></u>	<u><u>51,949</u></u>

	For the nine months ended September 30,	
	2023	2022
The Consolidated Company's share in associate's net assets at beginning of year	\$ 1,344,613	1,301,552
Comprehensive income attributable to the Consolidated Company	<u>14,722</u>	<u>21,599</u>
The Consolidated Company's share in associate's net assets at end of year	1,359,335	1,323,151
Less: unrealized gains	(43,934)	(31,917)
Add: goodwill	102,489	102,489
Disposal of investment of associates	<u>(1,417,890)</u>	<u>-</u>
Carrying amounts of investments accounted for using equity method	<u><u>\$ -</u></u>	<u><u>1,393,723</u></u>

(Continued)

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

Cameo announced the resignation of its natural person directors, independent directors, and institutional directors, as well as the change of one-third of its directors on March 31, 2023. The Board of Directors elected D-Link Investment Co., Ltd. and its representative director, Kuo Chin-Ho, as its chairman, effective from April 1, 2023. In addition, since the Company is the largest single shareholder of it, with a shareholding of 41.58%, the Company has changed from having significant influence on Cameo to having control of Cameo and regards it as a consolidated subsidiary since April 1, 2023. The Consolidated Company deemed the investment accounted for using equity method - Cameo to be disposed on April 1, 2023, and recognized gain on disposal of investment accounted for other gains and losses amounting to \$339,993 thousand.

2) The financial information of insignificant associates

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

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amounts of insignificant associates	\$ <u>5,546</u>	<u>3,666</u>	<u>9,624</u>
	For the three months ended September 30,	For the nine months ended September 30,	
	2023	2022	2023
			2022
Attributable to the Consolidated Company			
(Loss) profit from continuing operations	\$ (2,288)	(304)	2,748
Other comprehensive (loss) income	<u>(37)</u>	<u>306</u>	<u>(868)</u>
Total comprehensive (loss) income	\$ <u>(2,325)</u>	<u>2</u>	<u>(3,435)</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Cameo	\$ <u>-</u>	<u>1,416,590</u>	<u>1,237,797</u>

(ii) Pledges

As of September 30, 2023, December 31, 2022 and September 30, 2022, no investment accounted for using equity methods has been pledged as collateral.

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

(g) Acquisition of subsidiaries

- (i) On April 1, 2023, the Consolidated Company acquired control of Cameo, who manufactures, sells, and develops network system equipment and related components, with a shareholding of 41.58%. During the six-month period from the acquisition date to September 30, 2023, the revenue and net loss incurred from Cameo were \$543,285 thousand and \$22,115 thousand, respectively, to the Consolidated Company results. If the acquisition occurred on January 1, 2023, management estimates that consolidated revenue would have been \$12,635,477 thousand and consolidated profit after income tax would have been \$653,119 thousand. In determining these amounts, the management has assumed that provisional fair value adjustments arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2023.
- (ii) The fair value of the acquired assets and assumed liabilities at the date of acquisition, and the amount of recognized goodwill, were as follows:

The fair value of Cameo's equity held by the Consolidated Company at the acquisition date	\$ 1,746,669
Non-controlling interests' share of identifiable net assets upon acquisition	<u>1,850,939</u>
	<u>\$ 3,597,608</u>

The recognized amounts of assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	\$ 1,446,744
Accounts receivable and other receivables	1,193,708
Inventories (note 6 (e))	1,105,987
Property, plant and equipment (note 6 (i))	1,428,699
Right-of-use assets	68,161
Intangible assets (note 6 (l))	12,434
Net defined benefit assets	35,732
Other assets	7,513
Accounts payable and other payables	(1,186,746)
Lease liabilities	(68,370)
Short-term and long-term borrowings	(864,797)
Deferred tax liabilities	<u>(10,816)</u>
Total identifiable net assets acquired	<u>\$ 3,168,249</u>
Less : treasury shares	<u>82,823</u>
Goodwill	<u>\$ 346,536</u>

(Continued)

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

The Consolidated Company will regularly monitor all of the above items during the measurement period. If there is information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions existed as at the acquisition date, then the acquisition accounting will be revised.

(h) Subsidiaries have material non-controlling interests

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

Name of subsidiary	Main operating location/ Registered country of the Company	Ownership interests/voting rights held by NCI		
		September 30, 2023	December 31, 2022	September 30, 2022
D-Link India	India	48.98 %	48.98 %	48.98 %
Cameo	Taiwan	58.42 %	- %	- %

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 2,189,736	1,945,176	1,795,262
Non-current assets	637,763	585,254	579,240
Current liabilities	916,471	818,382	711,482
Non-current liabilities	<u>33,157</u>	<u>21,414</u>	<u>18,403</u>
Net assets	<u>\$ 1,877,871</u>	<u>1,690,634</u>	<u>1,644,617</u>
Net assets attributable to non-controlling interests	<u>\$ 734,538</u>	<u>651,784</u>	<u>634,882</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating revenues	\$ <u>1,172,133</u>	<u>1,110,985</u>	<u>3,428,939</u>	<u>3,226,549</u>
Net profit	\$ 94,695	93,245	236,611	208,267
Other comprehensive income	<u>38,973</u>	<u>48,920</u>	<u>71,526</u>	<u>60,016</u>
Total comprehensive income	\$ <u>133,668</u>	<u>142,165</u>	<u>308,137</u>	<u>268,283</u>
Net income attributable to non-controlling interests	\$ <u>46,382</u>	<u>45,671</u>	<u>115,892</u>	<u>102,009</u>
Total comprehensive income attributable to non-controlling interests	\$ <u>65,472</u>	<u>69,632</u>	<u>150,926</u>	<u>131,405</u>
Cash flows from (used in) operating activities			\$ 310,790	(57,992)
Cash flows (used in) from investing activities			(100,012)	97,338
Cash flows used in financing activities			<u>(138,992)</u>	<u>(41,182)</u>
Net increase (decrease) in cash and cash equivalents			\$ <u>71,786</u>	<u>(1,836)</u>
Cash dividends paid to non- controlling interests			<u>68,173</u>	<u>21,501</u>

The financial information of Cameo was summarized as follows:

	September 30, 2023
Current assets	\$ 2,730,720
Non-current assets	1,655,598
Current liabilities	554,693
Non-current liabilities	<u>645,903</u>
Net assets	\$ <u>3,185,722</u>
Net assets attributable to non-controlling interests	\$ <u>1,797,335</u>

(Continued)

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

	For the three months ended September 30, 2023	For the nine months ended September 30, 2023
Operating revenues	\$ <u>415,029</u>	<u>1,219,554</u>
Net loss	\$ (12,154)	(22,115)
Other comprehensive income	<u>15,398</u>	<u>3,134</u>
Total comprehensive income (loss)	\$ <u>3,244</u>	<u>(18,981)</u>
Net loss attributable to non-controlling interests	\$ <u>(7,100)</u>	<u>(12,919)</u>
Total comprehensive income (loss) attributable to non-controlling interests	\$ <u>1,895</u>	<u>(11,089)</u>
Cash flows from operating activities		\$ 402,828
Cash flows used in investing activities		(300,679)
Cash flows used in financing activities		(293,509)
Impact of the changes in exchange rates on cash and cash equivalents		<u>7,152</u>
Net decrease in cash and cash equivalents		\$ <u>(184,208)</u>
Dividends paid to non-controlling interests		\$ <u>42,514</u>
(i) Property, plant and equipment		

For the nine months ended September 30, 2023

	Balance at January 1, 2023	Acquisition of subsidiaries	Increase	Decrease	Others	Balance at September 30, 2023
Cost:						
Land	\$ 546,313	346,639	-	-	(3,585)	889,367
Buildings	900,100	1,131,005	796	(4,727)	(25,847)	2,001,327
Machinery equipment	40,990	530,081	12,929	(1,441)	819	583,378
Others	<u>1,116,472</u>	<u>95,850</u>	<u>29,435</u>	<u>(59,859)</u>	<u>22,834</u>	<u>1,204,732</u>
	<u>2,603,875</u>	<u>2,103,575</u>	<u>43,160</u>	<u>(66,027)</u>	<u>(5,779)</u>	<u>4,678,804</u>
Accumulated depreciation:						
Buildings	\$ 574,905	160,787	29,716	(4,727)	(4,427)	756,254
Machinery equipment	40,044	429,059	31,998	(1,441)	833	500,493
Others	<u>1,010,110</u>	<u>85,030</u>	<u>46,361</u>	<u>(59,729)</u>	<u>22,470</u>	<u>1,104,242</u>
	<u>1,625,059</u>	<u>674,876</u>	<u>108,075</u>	<u>(65,897)</u>	<u>18,876</u>	<u>2,360,989</u>
	\$ <u>978,816</u>	<u>1,428,699</u>	<u>(64,915)</u>	<u>(130)</u>	<u>(24,655)</u>	<u>2,317,815</u>

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

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, property, plant and equipment has been pledged as collateral for long-term borrowings, please refer to note 8.

(j) Right-of-use assets

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

	Buildings	Office equipment	Transportation equipment	Total
Cost:				
Balance at January 1, 2023	\$ 464,962	9,137	34,832	508,931
Acquisition of subsidiaries	102,350	-	1,309	103,659
Increase	72,044	3,211	28,618	103,873
Decrease	(58,368)	(2,937)	(20,384)	(81,689)
Others	<u>16,998</u>	<u>381</u>	<u>1,377</u>	<u>18,756</u>
Balance at September 30, 2023	<u>\$ 597,986</u>	<u>9,792</u>	<u>45,752</u>	<u>653,530</u>
Balance at January 1, 2022	\$ 457,383	8,077	48,109	513,569
Increase	69,480	-	8,800	78,280
Decrease	(98,860)	(334)	(15,443)	(114,637)
Others	<u>22,231</u>	<u>303</u>	<u>(693)</u>	<u>21,841</u>
Balance at September 30, 2022	<u>\$ 450,234</u>	<u>8,046</u>	<u>40,773</u>	<u>499,053</u>

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

	Buildings	Office equipment	Transportation equipment	Total
Accumulated Depreciation:				
Balance at January 1, 2023	\$ 181,060	4,204	20,158	205,422
Acquisition of subsidiaries	34,953	-	545	35,498
Increase	99,348	2,086	11,326	112,760
Decrease	(40,808)	(2,937)	(20,384)	(64,129)
Others	<u>12,081</u>	<u>1,140</u>	<u>4,659</u>	<u>17,880</u>
Balance at September 30, 2023	<u><u>\$ 286,634</u></u>	<u><u>4,493</u></u>	<u><u>16,304</u></u>	<u><u>307,431</u></u>
Balance at January 1, 2022	\$ 203,434	2,173	29,787	235,394
Increase	84,273	1,559	10,378	96,210
Decrease	(88,882)	(334)	(13,682)	(102,898)
Others	<u>7,429</u>	<u>100</u>	<u>(272)</u>	<u>7,257</u>
Balance at September 30, 2022	<u><u>\$ 206,254</u></u>	<u><u>3,498</u></u>	<u><u>26,211</u></u>	<u><u>235,963</u></u>
Carrying amount:				
Balance at January 1, 2023	<u><u>\$ 283,902</u></u>	<u><u>4,933</u></u>	<u><u>14,674</u></u>	<u><u>303,509</u></u>
Balance at September 30, 2023	<u><u>\$ 311,352</u></u>	<u><u>5,299</u></u>	<u><u>29,448</u></u>	<u><u>346,099</u></u>
Balance at September 30, 2022	<u><u>\$ 243,980</u></u>	<u><u>4,548</u></u>	<u><u>14,562</u></u>	<u><u>263,090</u></u>

The Consolidated Company leases offices and warehouses under an operating lease for the nine months ended September 30, 2023 and 2022, please refer to note 6(s).

(k) Investment property

	For the nine months ended September 30, 2023			
	Balance at January 1, 2023	Increase	Decrease	Balance at September 30, 2023
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>12,716</u>	<u>298</u>	<u>-</u>	<u>13,014</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u><u>\$ 38,480</u></u>	<u><u>(298)</u></u>	<u><u>-</u></u>	<u><u>38,182</u></u>

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

For the nine months ended September 30, 2022

	Balance at January 1, 2022	Increase	Decrease	Balance at September 30, 2022
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>12,320</u>	<u>297</u>	<u>-</u>	<u>12,617</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 38,876</u>	<u>(297)</u>	<u>-</u>	<u>38,579</u>
		September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount		<u>\$ 38,182</u>	<u>38,480</u>	<u>38,579</u>
Fair value		<u>\$ 62,331</u>	<u>73,181</u>	<u>65,445</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(z). Besides, direct operating expenses related to investment property were \$0 thousand, \$0 thousand, \$281 thousand, and \$286 thousand for the three months and the nine months ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

As of September 30, 2023, December 31, 2022 and September 30, 2022, no investment property has been pledged as collateral.

(Continued)

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

(l) Intangible assets

For the nine months ended September 30, 2023

	Balance at January 1, 2023	Acquisition of subsidiaries	Increase	Decrease	Amortization	Others	Balance at September 30, 2023
Goodwill	\$ 305,091	346,536	-	-	-	7,803	659,430
Trademark	147,119	97	127	-	(9)	7,474	154,808
Patents	12,335	823	-	-	(2,331)	-	10,827
Computer software costs	6,402	11,514	424	-	(4,814)	-	13,526
Other intangible assets	45,975	-	16,272	-	(18,483)	168	43,932
	<u>\$ 516,922</u>	<u>358,970</u>	<u>16,823</u>	<u>-</u>	<u>(25,637)</u>	<u>15,445</u>	<u>882,523</u>

For the nine months ended September 30, 2022

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

(m) Share-based Payment

(i) Restricted share plan for employees

On August 14, 2023, the Company's Board of Directors resolved to increase the capital by issuing 3,000 thousand employee restricted shares for its employees based on the resolutions approved by the shareholders' meeting held on May 27, 2022 with Letter No. 1110365032, issued by the Financial Supervisory Commission as follows:

(In Thousands of shares)

Grant Date	Granted Shares Approved by the Board	Fair Value	Issued Date	Issued Shares
September 25, 2023	3,000 \$	19.90	September 25, 2023	3,000

(Continued)

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

To qualify for the employee restricted shares, an employee should meet the following employment years and performance conditions over the vesting period:

- 1) 40% restricted shares will be vested to an employee who employed a year after the grant date and gets a rating “B+” (or higher) in the annual performance review.
- 2) 30% restricted shares will be vested to an employee who employed two years after the grant date and gets a rating “B+” (or higher) in the annual performance review.
- 3) 30% restricted shares will be vested to an employee who employed a three years after the grant date and gets a rating “B+” (or higher) in the annual performance review.

After employees are allocated with new shares, their rights that are restricted prior to the vesting conditions should be met as follows:

- 1) Except for inheritance, those restricted shares should not be sold, pledged, transferred, donated, settled or disposed in any other way before the vesting conditions are met.
- 2) Before the vesting conditions are met, the attendance, proposal rights, speech rights, voting rights and electing rights, etc. shall be the same as common shares and shall be handled in accordance with the trust custody contract.
- 3) Any other shareholder’s rights, including but not limited to, the entitlement to any distribution regarding dividends, legal reserve, and capital reserve, except for retained earnings. All related matters above that used the operating ways shall be executed in accordance with the trust custody contract.
- 4) Beginning from the Company's book-closing dates for gratuitous allotment, cash dividend, cash subscription for capital increase, shareholders' meeting specified in Article 165, Paragraph 3 of the Company Act, or other legal book-closing period to the base date of distribution rights, the time and procedures for granting the unrestricted vested shares for employees who meet the vesting conditions shall be implemented in accordance with the trust custody agreement or relevant regulations.
- 5) During the vesting period, if the Company undergoes a cash capital reduction or other capital reduction that is not due to statutory capital reduction, the new shares with restricted employee rights shall be canceled in accordance with the capital reduction ratio. For cash capital reduction, the cash returned must first be kept in the trust, then, can only be delivered to employees who met all the vesting conditions within the vesting period. Otherwise, the cash shall be recalled by the Company.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES
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Other agreed matters:

- 1) After the employee restricted shares are issued, it must be immediately delivered to the trust for safekeeping; and before the vested conditions are met, employees may not request the trustee to return the employee restricted shares under any circumstances.
- 2) During the period when the employee restricted shares are delivered to the trust for safekeeping, the Company or a person designated by the Company shall have full authority to act on behalf of the employee and trust custody to negotiate, sign, amend, extend, nullify and terminate the trust custody agreement. The authorized individual also has the right to use and dispose the property, as well as handover the shares to the employee, held in trust.

Information on restricted share plan for employees was as follows:

	(In Thousands of shares)
	For the nine months ended September 30, 2023
Balance at January 1, 2023	-
Grant in the current period	3,000
Vested in the current period	-
Forfeited in the current period	-
Balance at September 30, 2023	<u><u>3,000</u></u>

For the three months and the nine months ended September 30, 2023, the compensation costs recognized each amounted to \$2,774 thousand for both periods.

(n) Short-term and long-term borrowings

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

(i) Short-term borrowings

	Currency	Interest rate (%)	Maturity year	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank borrowings	TWD	1.4	2022	\$ -	-	<u>180,000</u>
Unused credit line				<u>\$ 4,245,502</u>	<u>3,236,868</u>	<u>4,022,053</u>

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

(ii) Long-term borrowings

	Currency	Interest rate (%)	Maturity year	September 30, 2023	December 31, 2022	September 30, 2022
Secured bank borrowings	TWD	0.85~2.11	2025~2035	\$ 681,570	-	-
Less : current portion				<u>(122,151)</u>	<u>-</u>	<u>-</u>
Total				<u>\$ 559,419</u>	<u>-</u>	<u>-</u>
Unused credit line				<u>\$ 97,000</u>	<u>-</u>	<u>-</u>

The real estate of the Consolidated Company pledged as a collateral for bank borrowings, please refer to note 8.

(o) Other Payables

	September 30, 2023	December 31, 2022	September 30, 2022
Salary payable	\$ 310,146	231,312	310,948
Dividend payable	591	569	520
Other payable-other	<u>731,120</u>	<u>644,262</u>	<u>636,634</u>
	<u>\$ 1,041,857</u>	<u>876,143</u>	<u>948,102</u>

(p) Lease liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current	<u>\$ 179,312</u>	<u>144,423</u>	<u>136,027</u>
Non-current	<u>\$ 303,124</u>	<u>309,563</u>	<u>289,145</u>

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interests on lease liabilities	<u>\$ 4,902</u>	<u>3,447</u>	<u>13,909</u>	<u>10,577</u>
Expenses relating to short-term leases	<u>\$ 10,912</u>	<u>13,457</u>	<u>36,095</u>	<u>40,399</u>
Expenses relating to leases of low-value assets	<u>\$ 101</u>	<u>-</u>	<u>201</u>	<u>-</u>
COVID-19-related rent concessions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(23)</u>

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

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	\$ <u>193,998</u>	<u>144,512</u>

(i) Real estate leases

As of September 30, 2023, the Consolidated Company leases buildings for its office space. The leases of office space typically run for one to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

(q) Current provisions-current

	For the nine months ended September 30, 2023						Balance at September 30, 2023
	Balance at January 1, 2023	Acquisition of subsidiaries	Increased	Used	Reversed	Effect of exchange	
Warranties	\$ 106,307	6,258	1,808	(13,612)	-	349	101,110
Legal proceedings and royalties	<u>199,602</u>	<u>-</u>	<u>67,305</u>	<u>-</u>	<u>(70,339)</u>	<u>11,706</u>	<u>208,274</u>
	<u>\$ 305,909</u>	<u>6,258</u>	<u>69,113</u>	<u>(13,612)</u>	<u>(70,339)</u>	<u>12,055</u>	<u>309,384</u>

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

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

(r) Refund liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Refund liabilities	\$ <u>530,930</u>	<u>473,514</u>	<u>456,742</u>

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

(s) Operating leases

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Within one year	\$ 4,441	3,166	4,405
One to two years	<u>-</u>	<u>691</u>	<u>692</u>
Total undiscounted lease payments	\$ <u>4,441</u>	<u>3,857</u>	<u>5,097</u>

(t) Employee benefits

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension costs in the interim consolidated financial statements were measured and disclosed according to the actuarial report for the years ended December 31, 2022 and 2021.

(i) Defined benefit pension plans

The expenses recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating costs	\$ <u>-</u>	<u>2</u>	<u>-</u>	<u>8</u>
Operating expenses	\$ <u>-</u>	<u>154</u>	<u>-</u>	<u>459</u>

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

(ii) Defined contribution plans

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

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating costs	\$ <u>3,283</u>	<u>2,352</u>	<u>8,681</u>	<u>5,174</u>
Operating expenses	\$ <u>27,604</u>	<u>30,111</u>	<u>83,560</u>	<u>83,681</u>

(u) Income Taxes

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current income tax expense	\$ 55,992	46,625	161,096	82,291
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	<u>(9,397)</u>	<u>(23,347)</u>	<u>(53,950)</u>	<u>37,519</u>
Income tax expenses	\$ <u>46,595</u>	<u>23,278</u>	<u>107,146</u>	<u>119,810</u>

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ <u>21,387</u>	<u>42,297</u>	<u>(24,092)</u>	<u>149,026</u>

The income tax returns of the Company have been examined by the tax authority through 2020. The income tax returns of Yeotai, Cameo, Qianjin Investment have been examined by the tax authority through 2021, and Soarnex have been examined by the tax authority through 2022.

(v) Capital and other equity

(i) Common stock

As of September 30, 2023, December 31, 2022 and September 30, 2022, the authorized capital amounted to \$8,800,000 thousand (including \$750,000 thousand authorized for the issuance of the employee shares options). As of September 30, 2023, December 31, 2022 and September 30, 2022, all the paid-in capital consisted 602,837 thousand shares, 599,837 thousand shares, and 599,837 thousand shares, respectively, with a par value of \$10 per share, amounting to \$6,028,365 thousand, \$5,998,365 thousand and \$5,998,365 thousand, respectively.

On August 14, 2023, the Company's Board of Directors resolved to increase the capital by issuing 3,000 thousand employee restricted shares for its employees based on the resolutions approved by the shareholders' meeting held on May 27, 2022. Above was approved by the competent authority and all relevant registration procedures had been completed as of the reporting date.

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

(ii) Capital surplus

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

	September 30, 2023	December 31, 2022	September 30, 2022
Common stock in excess of par value	\$ 1,037,080	1,037,080	1,037,080
Treasury shares transactions	39,817	39,310	39,310
Expiry of share-based payment transactions	129,459	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	55,320	55,320	55,320
Issue employee restricted share	<u>21,205</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,364,335</u>	<u>1,342,623</u>	<u>1,342,623</u>

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

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

(iii) Retained earnings

1) Legal reserve

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

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

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

2) Special reserve

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

3) Earning distribution

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

The Company's Board of Directors resolved to distribute the cash dividends of \$0.2246 per share on February 22, 2023. The appropriation of earnings for 2022 was approved by the shareholders' meeting on May 31, 2023. The related information is available at the Market Observation Post System website.

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

4) Dividend policy

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

(iv) Treasury shares

Qianjin Investment, a subsidiary of the Consolidated Company, acquired the Company's shareholdings in 2008, with a par value of \$36.66 per share. As of September 30, 2023, a total of 5,434 thousand shares, with a market value of \$20.10 per share, had yet to be sold.

(Continued)

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

(v) Other equity

- 1) Exchange differences on translation of foreign financial statements and Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income

	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, 2023	\$ (1,359,264)	(44,193)
The Consolidated Company	(19,072)	2,723
Associates	805	8,473
Associates—disposal	<u>(11,214)</u>	<u>15,320</u>
Balance at September 30, 2023	<u><u>\$ (1,388,745)</u></u>	<u><u>(17,677)</u></u>
Balance at January 1, 2022	\$ (1,863,596)	(2,439)
The Consolidated Company	715,207	(16,624)
Associates	14,445	(9,715)
Associates—disposal	<u>-</u>	<u>924</u>
Balance at September 30, 2022	<u><u>\$ (1,133,944)</u></u>	<u><u>(27,854)</u></u>

- 2) Unearned compensation

	Unearned Compensation
Balance at January 1, 2023	\$ -
Issued in the current period	(51,205)
Restricted shares for employees	<u>2,774</u>
Balance at September 30, 2023	<u><u>\$ (48,431)</u></u>

(Continued)

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

(vi) Non-controlling interests

	For the nine months ended September 30,	
	2023	2022
Balance at the beginning of the period	\$ 651,784	524,978
Net income attributable to non-controlling interest:		
Acquired changes in non-controlling interests of subsidiaries	1,850,939	-
Net income	102,973	102,009
Exchange differences on translation of foreign financial statements	36,864	29,396
Cash dividends distributed	<u>(110,687)</u>	<u>(21,501)</u>
Balance at the end of the period	<u><u>\$ 2,531,873</u></u>	<u><u>634,882</u></u>

(w) Earnings (loss) per share

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

(i) Basic earnings (loss) per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net profit (loss) of the parent company for the year	\$ <u>14,722</u>	<u>1,885</u>	<u>539,184</u>	<u>(174,643)</u>
Outstanding ordinary shares	<u>597,577</u>	<u>599,837</u>	<u>598,330</u>	<u>599,837</u>
Basic earnings (loss) per share	\$ <u>0.02</u>	<u>-</u>	<u>0.90</u>	<u>(0.29)</u>

(ii) Diluted earnings (loss) per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net profit (loss) of the parent company for the year	\$ <u>14,722</u>	<u>1,885</u>	<u>539,184</u>	<u>(174,643)</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Weighted average number of outstanding ordinary shares (basic)	597,577	599,837	598,330	599,837
Unvested employee restricted share	22	-	66	-
Employees' compensation has not been resolved by the Board of Directors	<u>1,499</u>	<u>-</u>	<u>1,553</u>	<u>-</u>
Weighted average number of outstanding ordinary shares (diluted)	<u><u>599,098</u></u>	<u><u>599,837</u></u>	<u><u>599,949</u></u>	<u><u>599,837</u></u>
Diluted earnings (loss) per share	<u><u>\$ 0.02</u></u>	<u><u>-</u></u>	<u><u>0.90</u></u>	<u><u>(0.29)</u></u>

For calculation of the dilutive effect of the shares option for the nine months ended September 30, 2023, the average market value was assessed based on the quoted market price where the Company's option was outstanding. The employee shares option was not included in the calculation of the dilutive earnings (loss) per shares due to its antidilutive effect for the nine months ended in September 30, 2022.

(x) Revenue from contracts with customers

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

Major product / service lines	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Switch and Security products	\$ 1,861,157	1,888,810	5,727,088	5,204,673
Wireless and IoT products	495,792	882,236	1,757,304	2,382,099
Mobile and Broadband products	317,490	775,572	1,511,836	2,299,645
Others	<u>1,150,002</u>	<u>938,377</u>	<u>3,235,347</u>	<u>2,770,378</u>
	<u><u>\$ 3,824,441</u></u>	<u><u>4,484,995</u></u>	<u><u>12,231,575</u></u>	<u><u>12,656,795</u></u>

(Continued)

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

Primary geographical markets	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
American	\$ 320,445	357,185	935,293	982,602
European	937,677	1,110,379	3,246,791	3,359,189
Asia and others	<u>2,566,319</u>	<u>3,017,431</u>	<u>8,049,491</u>	<u>8,315,004</u>
	<u>\$ 3,824,441</u>	<u>4,484,995</u>	<u>12,231,575</u>	<u>12,656,795</u>

(ii) Contract liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current contract liabilities (sales)	\$ <u>180,794</u>	<u>109,075</u>	<u>229,079</u>

- 2) The beginning contract liabilities were recognized as income, amounting to \$20,065 thousand, \$12,398 thousand, \$63,169 thousand and \$78,611 thousand for the three months and nine months ended September 30, 2023 and 2022, respectively.

(y) Remunerations to employees and directors

In accordance with the Articles of Association, if the Company incurs profit for the year, the profit shall first be used to offset against any deficit; then, a minimum of 1% to a maximum of 15% of the remainder shall be appropriated as employee remuneration, and less than 1% as directors' remuneration. The profit shall be considered as the annual income before tax, excluding the remunerations to employees and directors, which shall be decided by two-third of the voting rights exercised by the majority of the directors present at the board meeting, and reported at shareholders' meeting thereafter. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific conditions.

For the nine months ended September 30, 2023, the Company's estimated its remunerations to employees and directors amounting to \$30,125 thousand and \$3,012 thousand, respectively. The estimated amounts mentioned above were calculated based on the profit before tax, excluding the remunerations to employees and directors of each period. These remunerations were expensed under operating expenses during 2023.

No remunerations to employees and directors were accrued for the nine months ended September 30, 2022 due to the loss before tax incurred by the Company.

However, the Company estimated the remunerations to its employees and directors to be \$7,372 thousand and \$737 thousand for the year ended December 31, 2022, respectively, based on the resolution approved during the board meeting held on February 22, 2023 to be reported at the shareholder's meeting thereafter. Related information is available at the Market Observation Post System website.

(Continued)

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

(z) Other income and losses

(i) Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 16,921	4,636	42,378	10,152
Other interest income	<u>1,002</u>	<u>1,231</u>	<u>3,126</u>	<u>3,976</u>
Total	<u>\$ 17,923</u>	<u>5,867</u>	<u>45,504</u>	<u>14,128</u>

(ii) Other income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Rent income	\$ 1,478	1,241	3,655	3,863
Dividend income	<u>1,060</u>	<u>578</u>	<u>1,060</u>	<u>578</u>
Total	<u>\$ 2,538</u>	<u>1,819</u>	<u>4,715</u>	<u>4,441</u>

(iii) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gain on disposals of investments	\$ 7,287	1,790	357,713	6,471
Foreign exchange gains (losses)	21,066	(49,826)	61,454	(238,363)
Valuation gains from financial assets and liabilities	5,331	54,373	29,833	79,259
Others	<u>46,203</u>	<u>16,669</u>	<u>68,073</u>	<u>31,945</u>
Total	<u>\$ 79,887</u>	<u>23,006</u>	<u>517,073</u>	<u>(120,688)</u>

(Continued)

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

(iv) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense	\$ (4,083)	(848)	(10,385)	(2,277)
Lease liability interests	<u>(4,902)</u>	<u>(3,447)</u>	<u>(13,909)</u>	<u>(10,577)</u>
Total	<u>\$ (8,985)</u>	<u>(4,295)</u>	<u>(24,294)</u>	<u>(12,854)</u>

(aa) Reclassification adjustments of components of other comprehensive income

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

	For the nine months ended September 30,	
	2023	2022
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ (43,164)	864,233
Change in exchange from non-controlling interests	<u>36,864</u>	<u>29,396</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u>\$ (6,300)</u>	<u>893,629</u>
Share of other comprehensive income of associates accounted for using equity method		
Change in foreign currency exchange from associates	\$ <u>805</u>	<u>14,445</u>
Share of other comprehensive income	<u>\$ 805</u>	<u>14,445</u>

(Continued)

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

(ab) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	September 30, 2023	December 31, 2022	September 30, 2022
Cash and cash equivalents	\$ 4,033,180	2,713,085	3,030,904
Financial assets at fair value through profit or loss - current	406,226	284,830	248,170
Notes receivable, accounts receivable and other receivables (including related parties)	3,409,101	3,452,584	3,724,848
Finance lease payment receivable (current and non-current)	126,736	144,517	156,802
Financial assets at fair value through other comprehensive income - non-current	19,441	16,703	16,265
Refundable deposits and other current assets	<u>558,652</u>	<u>208,005</u>	<u>81,993</u>
	<u>\$ 8,553,336</u>	<u>6,819,724</u>	<u>7,258,982</u>

2) Financial liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Short-term borrowings	\$ -	-	180,000
Financial liabilities at fair value through profit or loss - current	6,776	15,331	2,397
Notes payable, accounts payable and other payables (including related parties)	3,041,173	3,812,705	4,204,960
Long-term borrowings (including borrowings due within one year)	681,570	-	-
Lease liability (current and non- current)	482,436	453,986	425,172
Guarantee deposits received	<u>80,455</u>	<u>79,030</u>	<u>84,954</u>
	<u>\$ 4,292,410</u>	<u>4,361,052</u>	<u>4,897,483</u>

(Continued)

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

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of September 30, 2023, December 31, 2022 and September 30, 2022, the maximum exposure to credit risk has amounted to \$8,553,336 thousand, \$6,819,724 thousand and \$7,258,982 thousand, respectively.

(iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
September 30, 2023							
Non-derivative financial liabilities							
Notes payable	\$ 274	274	274	-	-	-	-
Accounts payable	1,816,977	1,816,977	1,816,977	-	-	-	-
Accounts payable - related parties	182,065	182,065	182,065	-	-	-	-
Other payables	1,041,857	1,041,857	1,041,857	-	-	-	-
Lease liability	482,436	512,190	100,299	94,366	192,160	121,807	3,558
Guarantee deposits received	80,455	80,455	80,455	-	-	-	-
Long-term borrowings (including borrowings due within one year)	681,570	744,652	67,556	67,052	116,030	168,298	325,716
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 6,735	807,439	807,439	-	-	-	-
Inflow	-	797,680	797,680	-	-	-	-
Forward foreign exchange contracts							
Outflow	41	56,533	56,533	-	-	-	-
Inflow	-	56,469	56,469	-	-	-	-
	<u>\$ 4,292,410</u>	<u>6,096,591</u>	<u>5,007,604</u>	<u>161,418</u>	<u>308,190</u>	<u>290,105</u>	<u>329,274</u>

(Continued)

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

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2022							
Non-derivative financial liabilities							
Notes payable	\$ 2,056	2,056	2,056	-	-	-	-
Accounts payable	2,198,737	2,198,737	2,198,737	-	-	-	-
Accounts payable - related parties	735,769	735,769	735,769	-	-	-	-
Other payables	876,143	876,143	876,143	-	-	-	-
Lease liability	453,986	487,056	81,919	77,138	131,905	190,915	5,179
Guarantee deposits received	79,030	79,030	79,030	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 1,361	313,330	313,330	-	-	-	-
Inflow	-	311,564	311,564	-	-	-	-
Forward foreign exchange contracts							
Outflow	13,970	1,005,124	1,005,124	-	-	-	-
Inflow	-	988,556	988,556	-	-	-	-
	<u>\$ 4,361,052</u>	<u>6,997,365</u>	<u>6,592,228</u>	<u>77,138</u>	<u>131,905</u>	<u>190,915</u>	<u>5,179</u>
September 30, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 180,000	180,635	180,635	-	-	-	-
Notes payable	2,217	2,217	2,217	-	-	-	-
Accounts payable	2,347,453	2,347,453	2,347,453	-	-	-	-
Accounts payable - related parties	907,188	907,188	907,188	-	-	-	-
Other payables	948,102	948,102	948,102	-	-	-	-
Lease liability	425,172	451,548	77,887	70,238	120,818	176,634	5,971
Guarantee deposits received	84,954	84,954	84,954	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	\$ 2,106	178,144	178,144	-	-	-	-
Inflow	-	175,461	175,461	-	-	-	-
Forward foreign exchange contracts							
Outflow	291	102,162	102,162	-	-	-	-
Inflow	-	102,385	102,385	-	-	-	-
	<u>\$ 4,897,483</u>	<u>5,480,249</u>	<u>5,106,588</u>	<u>70,238</u>	<u>120,818</u>	<u>176,634</u>	<u>5,971</u>

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

(Continued)

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

(iv) Currency risk

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

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets (note):									
Monetary items:									
CLP	\$ 117,284	0.03	4,173	51,842	0.03	1,852	61,725	0.03	2,028
JPY	1,077,765	0.22	232,951	900,870	0.23	211,078	1,486,312	0.22	325,986
EUR	18,309	34.09	624,102	-	-	-	-	-	-
CAD	814	23.93	19,472	6,125	22.68	138,914	7,564	22.96	173,650
USD	161,515	32.27	5,211,773	209,971	30.71	6,447,767	214,318	31.74	6,803,097
BRL	5,630	6.44	36,276	10,070	5.89	59,263	15,277	5.87	89,692
AUD	4,870	20.74	101,004	4,749	20.93	99,394	6,090	20.32	123,753
			<u>\$ 6,229,751</u>			<u>6,958,268</u>			<u>7,518,206</u>
Non-monetary items:									
USD	\$ 11,512	32.27	<u>371,465</u>	8,849	30.71	<u>271,724</u>	5,826	31.74	<u>184,950</u>
Derivative instruments:									
GBP	\$ -	-	-	-	-	-	18	35.43	649
AUD	11	20.74	238	-	-	-	129	20.32	2,629
EUR	571	34.09	19,472	-	32.87	13	230	31.11	7,169
USD	390	32.27	12,597	52	30.71	1,585	697	31.74	22,137
JPY	7,722	0.22	1,669	55,377	0.23	12,975	32,340	0.22	7,093
BRL	335	6.44	2,159	-	-	-	1,115	5.87	6,545
CNH	257	4.42	1,137	606	4.41	2,674	4,032	4.46	17,991
CAD	7	23.93	160	8	22.68	185	62	22.96	1,412
IDR	107,696	0.0021	224	-	-	-	295,454	0.0021	616
KRW	44,907	0.03	1,208	-	-	-	58,885	0.03	1,584
			<u>\$ 38,864</u>			<u>17,432</u>			<u>67,825</u>
Financial liabilities (note):									
Monetary items:									
JPY	\$ 2,097,966	0.22	453,461	2,094,822	0.23	490,827	2,014,148	0.22	441,754
CAD	2	23.93	50	3,470	22.68	78,691	668	22.96	15,333
EUR	11,536	34.09	393,251	-	-	-	2	31.11	74
BRL	21,572	6.44	139,007	21,851	5.89	128,603	21,026	5.87	123,449
USD	104,831	32.27	3,382,695	149,608	30.71	4,594,173	142,645	31.74	4,528,009
CLP	1,324,460	0.03	4,713	131,909	0.03	4,713	142,106	0.03	4,670
AUD	2,590	20.74	53,718	2,560	20.93	53,591	1,488	20.32	30,233
			<u>\$ 4,426,895</u>			<u>5,350,598</u>			<u>5,143,522</u>
Derivative instruments:									
EUR	\$ -	-	-	118	32.87	3,885	5	31.11	144
CAD	2	23.93	50	3	22.68	68	1	22.96	15
JPY	29,712	0.22	6,422	19,859	0.23	4,653	9,602	0.22	2,106
IDR	-	-	-	10,137	0.0020	19	13,909	0.0021	29
KRW	-	-	-	117,881	0.03	3,171	-	-	-
BRL	-	-	-	341	5.89	2,007	-	-	-
USD	-	-	-	-	-	-	1	31.74	33
INR	106	0.39	41	151	0.37	56	-	-	-
CNH	60	4.42	263	175	4.41	772	-	-	-
AUD	-	-	-	33	20.93	700	3	20.32	70
			<u>\$ 6,776</u>			<u>15,331</u>			<u>2,397</u>

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Since the Consolidated Company has various functional currencies, the information on foreign currency exchange gains and losses on monetary items is presented on a consolidated basis. The total foreign currency gains and losses, including those realized and unrealized, were a gain of \$21,066 thousand, a loss of \$49,826 thousand, a gain of \$61,454 thousand and a loss of \$238,363 thousand for the three months and the nine months ended September 30, 2023 and 2022, respectively.

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency for the nine months ended September 30, 2023 and 2022 would have increased or decreased the net income (loss) after tax by \$26,428 thousand and \$31,445 thousand and increased or decreased the equity by \$62 thousand and \$69 thousand, respectively, assuming all other variables were held constant.

(v) Interest rate analysis

For the interest rate exposure of the Consolidated Company's financial assets and liabilities, please refer to the notes on liquidity risk management.

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 outstanding liabilities 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 the Consolidated Company reports to management internally, which also represents the Consolidated Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Consolidated Company's net income (loss) after tax would have increased or decreased by \$5,091 thousand and \$6,426 thousand for the nine months ended September 30, 2023 and 2022, respectively, assuming all other variables were held constant.

(vi) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

(Continued)

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

September 30, 2023				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 367,362	367,362	-	-
Financial assets at fair value through other comprehensive income	19,441	15,338	-	4,103
Derivatives				
Assets:				
Financial assets at fair value through profit or loss - current	38,864	-	38,864	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	6,776	-	6,776	-
December 31, 2022				
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 267,398	267,398	-	-
Financial assets at fair value through other comprehensive income	16,703	12,377	-	4,326
Derivatives				
Assets:				
Financial assets at fair value through profit or loss - current	17,432	-	17,432	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	\$ 15,331	-	15,331	-

(Continued)

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

	September 30, 2022			
Assets and liabilities	Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss - current	\$ 180,345	180,345	-	-
Financial assets at fair value through other comprehensive income	16,265	11,660	-	4,605
Derivatives				
Assets:				
Financial assets at fair value through profit or loss - current	67,825	-	67,825	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	2,397	-	2,397	-

2) Valuation techniques

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

3) Transfer between Level 1 and Level 2

For the three months ended and the nine months ended September 30, 2023 and 2022, there were no transfers between level 1 and level 2 of the fair value hierarchy.

4) Reconciliation of level 3 fair values

	Financial assets at fair value through other comprehensive income
Balance at January 1, 2023	\$ 4,326
Recognized in other comprehensive loss	(223)
Balance at September 30, 2023	<u>\$ 4,103</u>
Balance at January 1, 2022	\$ 4,093
Recognized in other comprehensive income	512
Balance at September 30, 2022	<u><u>\$ 4,605</u></u>

(Continued)

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

For the nine months ended September 30, 2023 and 2022, total gains or losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Total gains or losses recognized:				
In other comprehensive income, and presented in “unrealized gains (losses) from financial assets at fair value through other comprehensive income	\$	124	316	(223) 512

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

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

Quantified information of significant unobservable inputs was as follows:

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

- (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 Consolidated Company’s financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable/payable and other receivables/payables, approximate their fair values. Moreover, lease liabilities are not measured at fair value.

(Continued)

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:						
Investment property	\$ <u>38,182</u>	<u>62,331</u>	<u>38,480</u>	<u>73,181</u>	<u>38,579</u>	<u>65,445</u>

September 30, 2023

Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 62,331	-	-	62,331

December 31, 2022

Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 73,181	-	-	73,181

September 30, 2022

Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	\$ 65,445	-	-	65,445

2) Valuation techniques

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

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

(ac) Financial risk management

(i) Overview

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the political and economic stability of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Consolidated Company operates worldwide, and thus, risk is diversified. As of September 30, 2023, December 31, 2022 and September 30, 2022, revenue from each customer does not exceed 10% of the Consolidated Company's revenue, therefore, there is no concentration of credit risk.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

2) Investment in securities and derivative financial instruments

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

3) Guarantees

The Consolidated Company's policies is to provide financial guarantees only to wholly owned subsidiaries. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Consolidated Company has not provided any guarantees to a third party.

(iv) Liquidity risk

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

(Continued)

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

The Consolidated Company had unused credit facilities for \$4,342,502 thousand as of September 30, 2023.

(v) Market risk

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

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

1) Currency risk

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

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

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

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

(Continued)

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

2) Interest rate risk

The Consolidated Company's bank borrowings are at both floating rate and fixed rate. For the bank borrowings at floating rate, the changes in market interest rate will cause fluctuation on borrowing effective interest rate and have an impact on the future cash flow. For the bank borrowings at fixed rate, the change in market interest rate will not affect the future cash flow, hence, there will not be any significant interest rate risk.

3) Other price risks

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

(ad) Capital management

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

Debt-to-equity ratio:

	September 30, 2023	December 31, 2022	September 30, 2022
Total liabilities	\$ 5,738,047	5,860,085	6,445,822
Less: cash and cash equivalents	<u>(4,033,180)</u>	<u>(2,713,085)</u>	<u>(3,030,904)</u>
Net debt	<u>\$ 1,704,867</u>	<u>3,147,000</u>	<u>3,414,918</u>
Total equity	<u>\$ 11,748,202</u>	<u>9,561,456</u>	<u>9,460,960</u>
Debt-to-equity ratio	<u>14.51%</u>	<u>32.91%</u>	<u>36.09%</u>

As of September 30, 2023, the methods of the Consolidated Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the nine months ended September 30, 2023 and 2022 were as follows:

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

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

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

	January 1, 2023	Cash flows	Acquisition of subsidiaries	Non-cash changes			September 30, 2023
				Exchange	Fair value changes	Others	
Lease liabilities	\$ 453,986	(143,793)	68,370	-	-	103,873	482,436
Others	79,030	1,425	-	-	-	-	80,455
Total liabilities from financing activities	<u>\$ 533,016</u>	<u>(142,368)</u>	<u>68,370</u>	<u>-</u>	<u>-</u>	<u>103,873</u>	<u>562,891</u>

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

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Consolidated Company
Cameo	An associate prior to April 1, 2023. Since April 1, 2023, the Consolidated Company changed its control on Cameo from having significant influence to having substantial control over it, and it became a consolidated subsidiary.
PC	An associate
T-COM, LLC (T-COM)	An associate
Yeochia Investment Ltd.(Yeochia)	An associate (The company was liquidated in July, 2022)
Yeomao Investment Inc.(Yeomao)	An associate (The company was liquidated in October, 2022)
Amigo Technology Inc.(Amigo)	Other related party
Amit Wireless Inc.(Amit)	Other related party
Sapido Technology Inc.(Sapido)	Other related party
E-Sheng Steel Co., Ltd.	Other related party
TSG Hawks Baseball Co., Ltd.	Other related party

(Continued)

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

(b) Significant related party transactions

(i) Sales and service revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ 25,938	11,307	43,693	47,428
Others	<u>216</u>	<u>931</u>	<u>1,805</u>	<u>3,389</u>
	<u>\$ 26,154</u>	<u>12,238</u>	<u>45,498</u>	<u>50,817</u>

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

(ii) Purchases

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates:				
Cameo	\$ -	511,826	666,555	1,134,838
Other related parties:				
Amigo	142,471	289,471	453,128	722,361
Amit	<u>1,425</u>	<u>3,240</u>	<u>3,086</u>	<u>5,250</u>
	<u>\$ 143,896</u>	<u>804,537</u>	<u>1,122,769</u>	<u>1,862,449</u>

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

(Continued)

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

(iii) Receivables from related parties

Account	Relationship	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable	Associates – T-COM	\$ -	3,217	1,032
Accounts receivable	Associates – PC	-	1,800	-
Accounts receivable	Other related parties – Sapido	-	10	-
Accounts receivable	Other related parties – Amigo	152	-	-
Accounts receivable	Other related parties – Other	-	-	31
Other receivables	Associates – Cameo	-	73	76
Other receivables	Associates – Yeomao	-	-	8,314
Other receivables	Associates – T-COM	-	65	-
Other receivables	Other related parties – Amigo	-	18	397
Prepayment for purchase	Other related parties – Amigo	97	-	-
		<u>\$ 249</u>	<u>5,183</u>	<u>9,850</u>

The Consolidated Company's other receivables arose from the liquidation of its associates – Yeomao, and other receivables to other related parties were derived from the sale of equipment and others.

(iv) Payables to related parties

Account	Relationship	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable	Associates – Cameo	\$ -	530,536	559,505
Accounts payable	Other related parties – Amigo	180,579	203,678	344,125
Accounts payable	Other related parties – Amit	1,486	1,555	3,558
Other payables	Associates – Cameo	-	3,396	2,098
Other payables	Other related parties – Amigo	3,201	12,235	5,352
Other payables	Other related parties – Amit	6,400	6,490	7,244
Other payables	Other related parties – Sapido	-	2,100	-
Contract liabilities	Associates – T-COM	11,783	8,137	65,778
		<u>\$ 203,449</u>	<u>768,127</u>	<u>987,660</u>

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

(Continued)

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

(v) Property transaction

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates:				
Cameo	\$ -	992	-	4,909
Other related parties:				
Amigo	9,314	8,693	13,788	22,531
Amit	-	-	-	472
	<u>\$ 9,314</u>	<u>9,685</u>	<u>13,788</u>	<u>27,912</u>

(vi) Overdue payment

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

	September 30, 2023	December 31, 2022	September 30, 2022
Other related parties:			
Amigo	\$ -	-	<u>3,205</u>

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

(vii) Services purchased from related parties

The services purchased from related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates:				
Cameo	\$ -	105	134	625
Other related parties:				
Amigo	3,212	2,267	3,706	5,045
Amit	6,099	6,739	10,534	8,285
Others	-	-	50	-
	<u>\$ 9,311</u>	<u>9,111</u>	<u>14,424</u>	<u>13,955</u>

(Continued)

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

(viii) Other income and losses

Account	Relationship	For the three months ended September 30,		For the nine months ended September 30,	
		2023	2022	2023	2022
Other gains and losses	Associates—Yeochia	\$ -	286	-	286
Other gains and losses	Associates—Cameo	-	-	266	-
Other gains and losses	Other related parties—Amigo	-	-	-	96
Other interest income	Other related parties—Amigo	-	31	-	358
		<u>\$ -</u>	<u>317</u>	<u>266</u>	<u>740</u>

Other income and losses composed of interest income, gain on disposal of miscellaneous equipment from other related parties, as well as remunerations to directors from associates, Cameo, before Cameo became a consolidated subsidiary.

(ix) Lease

In October 2021 and March 2022, the Consolidated Company entered into separate lease agreements with its other related party, Amigo, and its subsidiary, Cameo, respectively, to lease out its office buildings to both parties, with monthly rentals based on the market rates within their respective vicinities. For the nine months ended September 30, 2023 and 2022, the Consolidated Company recognized the rental income from Amigo amounting to \$2,616 thousand for both period and from Cameo amounting to \$175 thousand and \$349 thousand, respectively. Both amounts mentioned above had been fully collected as of September 30, 2023.

On November 1, 2021, the Consolidated Company leased a portion of its Tainan plant from Cameo based on a monthly rental payment. For the nine months ended September 30, 2023 and 2022, the rental expenses recognized as operating cost amounting to \$593 thousand and \$1,778 thousand, respectively, and the relevant amounts had been fully paid as of September 30, 2023.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits \$	8,316	15,193	24,699	35,093
Post-employee benefits	152	218	458	696
Share-based payments	<u>475</u>	<u>-</u>	<u>475</u>	<u>-</u>
	<u>\$ 8,943</u>	<u>15,411</u>	<u>25,632</u>	<u>35,789</u>

(Continued)

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	\$ 121,753	97,164	81,993
Property, plant, and equipment-land	Long-term bank borrowings	346,639	-	-
Property, plant, and equipment-buildings	Long-term bank borrowings	936,914	-	-
		<u>\$ 1,405,306</u>	<u>97,164</u>	<u>81,993</u>

(9) Significant contingent liabilities and unrecognized commitments:

- (a) The Consolidated Company's subsidiary, D-Link Brazil, had disputes regarding prior year's insufficient invoices attached to sales return with the local tax authorities, and had filed litigation. D-Link Brazil had accrued possible tax, interest and penalty.
- (b) The Consolidated Company's subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Consolidated Company believes the above litigation will not have any significant impact on its current operations.
- (c) UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the above litigation will not have any significant impact on its current operations.
- (d) Israel Consumers Council filed a group lawsuit against the Consolidated Company's subsidiary, D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Consolidated Company believes the above litigation will not have any significant impact on its current operations.
- (e) In 2023, Bell Northern Research, LLC filed a lawsuit against D-Link Systems, alleging that some of D-Link Systems' products have infringed its patents. Hence, D-Link Systems has decided to appoint attorneys to defend its case. The Consolidated Company believes the above litigation will not have any significant impact on its current operations.
- (f) The Consolidated Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes in the negotiation process and therefore the amount of liabilities is unclear. The Consolidated Company has accrued the possible expense.

(Continued)

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

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

By item	By function	For the three months ended September 30,					
		2023			2022		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		58,166	512,349	570,515	18,658	483,371	502,029
Labor and health insurance		5,528	28,271	33,799	673	23,361	24,034
Pension		3,283	27,604	30,887	2,354	30,265	32,619
Others		6,535	52,233	58,768	1,907	55,837	57,744
Depreciation		28,312	57,792	86,104	2,952	48,980	51,932
Amortization		25	8,063	8,088	7	5,953	5,960

By item	By function	For the nine months ended September 30,					
		2023			2022		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		147,242	1,508,136	1,655,378	51,644	1,431,082	1,482,726
Labor and health insurance		11,681	80,494	92,175	1,982	74,216	76,198
Pension		8,681	83,560	92,241	5,182	84,140	89,322
Others		16,012	161,847	177,859	6,321	165,759	172,080
Depreciation		59,855	161,278	221,133	8,559	147,613	156,172
Amortization		57	25,580	25,637	23	24,071	24,094

- (b) Seasonality of operations

The Consolidate Company's operations are not affected by seasonal or cyclical factors.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Shanghai	Other receivables-related parties	Yes	318,238	318,238	318,238	3.80	2	-	Operating Capital	-	-	-	2,862,271	2,862,271
1	D-Link International	D-Link Shanghai	Other receivables-related parties	Yes	378,663	378,663	378,663	-	2	-	Convert from Account receivables to loan receivable	-	-	-	2,862,271	2,862,271
2	D-Link Capital Investment	D-Link Corporation	Other receivables-related parties	Yes	790,566	790,566	790,566	-	2	-	Operating Capital	-	-	-	806,301	806,301
3	D-Link Japan K.K.	D-Link Corporation	Other receivables-related parties	Yes	389,058	389,058	389,058	0.50	2	-	Operating Capital	-	-	-	642,668	642,668
4	D-Link Deutschland	D-Link Europe	Other receivables-related parties	Yes	170,440	170,440	105,673	4.25	2	-	Operating Capital	-	-	-	148,571	148,571
5	PC	Cameo	Other receivables	Yes	89,466	80,670	51,951	-	2	-	Operating Capital	-	-	-	163,382	163,382
6	PC	Huge Castle	Other receivables	Yes	8,796	-	-	-	2	-	Operating Capital	-	-	-	163,382	163,382
7	Luis Jo'se	Huge Castle	Other receivables	Yes	8,796	-	-	-	2	-	Operating Capital	-	-	-	18,793	18,793
8	Qianjin Investment	Cameo	Other receivables	Yes	38,000	38,000	-	1.11	2	-	Operating Capital	-	-	-	60,389	60,389
9	Huge Castle	Cameo	Other receivables	Yes	96,804	96,804	96,804	-	2	-	Operating Capital	-	-	-	227,634	227,634

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

Note 3: Total amount of loans from D-Link Capital Investment to the Company shall not exceed 100% of the net worth of D-Link Capital Investment. The ending amount and funding loan limits are calculated by the unaudited balance.

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

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

Note 6: The total amount of loans from PC, Luis Jo'se, Qianjin Investment and Huge Castle to Cameo and its 100% directly or indirectly owned overseas subsidiaries shall not exceed 40% of the net worth of PC, Luis Jo'se, Qianjin Investment and Huge Castle. Luis Jo'se's ending amount and funding loan limits are calculated by the unaudited balance.

Note 7: The subsidiaries' transactions had been eliminated in the consolidated financial statements.

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements amount	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	1,999,455	127,011	127,011	61,269	-	1.38 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shanghai	2	1,999,455	150,260	80,670	21,251	-	0.88 %	5,998,365	Y	N	Y

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

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

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

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

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

(iii) Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Note
				Shares/Units	Carrying value	Percentage of ownership (%)		
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss-non-current	749,663	-	4.11 %	-	Note
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss-non-current	83,334	-	1.89 %	-	Note
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss-non-current	500,000	-	1.84 %	-	Note
D-Link Corporation	YICHIA Information Corporation	None	Financial assets at fair value through profit or loss-non-current	73,500	-	6.68 %	-	Note
D-Link Corporation	UBICOM.	None	Financial assets at fair value through profit or loss-non-current	926,814	-	3.05 %	-	Note
D-Link Corporation	PurpleComm, Inc.	None	Financial assets at fair value through profit or loss-non-current	3,385,417	-	14.10 %	-	Note
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss-non-current	6,600,000	-	2.39 %	-	Note
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss-non-current	600,000	-	1.88 %	-	Note
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss-non-current	252,525	-	0.05 %	-	Note
Yeotai	Stemcyte	None	Financial assets at fair value through other comprehensive income-non-current	18,950	214	0.01 %	214	
Yeotai	Kaimei	None	Financial assets at fair value through other comprehensive income-non-current	231,342	15,338	0.21 %	15,338	
D-Link India	MIRAE MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	20,362	19,460	-	19,460	
D-Link India	ICICI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	387,461	51,900	-	51,900	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	137,358	20,057	-	20,057	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	8,788	19,460	-	19,460	
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	40,553	57,331	-	57,331	
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	33,163	46,975	-	46,975	
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,988	49,767	-	49,767	

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	31,860	47,264	-	47,264	
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	55,227	55,148	-	55,148	
Cameo	Harvatek Corporation	None	Financial assets at fair value through profit or loss-non current	6,000,000	-	14.46 %	-	Note
Cameo	Covia Inc.	None	Financial assets at fair value through profit or loss-non current	400	-	5.40 %	-	Note
Qianjin Investment	D-Link Corporation	Parent company	Treasury shares	5,434,069	109,225	0.91 %	109,225	

Note : The impairment losses have been fully recognized by the Consolidated Company.

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

(In Thousands of New Taiwan Dollars/shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
D-Link Corporation	D-Link Europe	Investment accounted for using equity method	D-Link Holding	Subsidiary	-	-	32,497,455	1,260,451	-	-	-	-	32,497,455	598,869
D-Link Holding	D-Link Europe	Investment accounted for using equity method	D-Link Corporation	Parent company	32,497,455	970,342	-	-	32,497,455	1,260,451	1,260,451	(Note2)	-	-

Note 1: The ending balance includes exchange differences on translation of foreign financial statements, share of profit (loss) of associates accounted for using equity method and other equity adjustments.

Note 2: Due to its organizational restructuring, D-Link Corporation acquired the 100% shares of D-Link Europe from D-Link Holding in May 2023, resulting in no disposal gains or losses being recognized.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sales)	Amount	Percentage of total purchases/ (Sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sales and service revenue)	(308,050)	(7) %	60 Days	-	-	62,903	5%	
D-Link Corporation	D-Link Systems	Subsidiary	(Sales and service revenue)	(366,588)	(8) %	75 Days	-	-	116,326	9%	
D-Link Corporation	D-Link Europe	Subsidiary	(Sales and service revenue)	(1,736,359)	(37) %	60 Days	-	-	601,544	45%	
D-Link Corporation	D-Link ME	Subsidiary	(Sales and service revenue)	(424,135)	(9) %	60 Days	-	-	53,259	4%	
D-Link Corporation	D-Link Japan	Subsidiary	(Sales and service revenue)	(485,392)	(10) %	60 Days	-	-	79,514	6%	
D-Link Corporation	D-Link India	Subsidiary	(Sales and service revenue)	(518,256)	(11) %	45 Days	-	-	124,866	9%	
D-Link Corporation	Cameo	Subsidiary	Purchase	1,071,675	29 %	90 Days	-	-	(225,451)	(21)%	Note 2
D-Link Corporation	AMIGO	Other related party	Purchase	370,683	10 %	90 Days	-	-	(149,117)	(14)%	
D-Link International	D-Link Corporation	Parent company	Purchase	307,425	71 %	60 Days	-	-	(62,903)	(58)%	
D-Link Systems	D-Link Corporation	Parent company	Purchase	366,266	94 %	90 Days	-	-	(116,326)	(40)%	

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sales)	Amount	Percentage of total purchases/(Sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Europe	D-Link Corporation	Parent company	Purchase	1,727,623	98 %	60 Days	—	—	(601,544)	(87)%	
D-Link ME	D-Link Corporation	Parent company	Purchase	423,684	29 %	60 Days	—	—	(53,259)	(16)%	
D-Link Japan	D-Link Corporation	Parent company	Purchase	450,093	90 %	60 Days	—	—	(79,514)	(95)%	
D-Link India	D-Link Corporation	Parent company	Purchase	469,897	16 %	45 Days	—	—	(124,866)	(21)%	
Cameo	D-Link Corporation	Parent company	(Sales)	(1,078,045)	(47) %	90 Days	—	—	225,571	50%	
D-Link Shanghai	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(1,171,869)	(94) %	120 Days	—	—	612,564	96%	
D-Link Trade	D-Link Shanghai	The ultimate parent company is D-Link Corporation	Purchase	1,171,869	99 %	120 Days	—	—	(612,564)	(57)%	
Cameo	D-Link Shanghai	The ultimate parent company is D-Link Corporation	(Sales)	(264,654)	(47) %	90 Days	—	—	59,474	13%	
D-Link Shanghai	Cameo	The ultimate parent company is D-Link Corporation	Purchase	264,275	21 %	90 Days	—	—	(59,474)	(9)%	

Note 1 : The subsidiaries' intercompany transactions had been eliminated in the consolidated financial statements.

Note 2: Cameo was an associate in the first quarter of 2023 and became a subsidiary after the Consolidated Company changed its control over Cameo from having significant influence to having substantial control over it on April 1, 2023.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue (Note 1)		Amounts received in subsequent period (Note 2)	Allowance for bad debts
					Amount	Action taken		
D-Link Corporation	D-Link Systems	Subsidiary	116,326	2.74	-	-	34,689	-
D-Link Corporation	D-Link Europe	Subsidiary	601,544	5.23	-	-	76,556	-
D-Link Corporation	D-Link India	Subsidiary	124,866	3.58	2	-	67,080	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	159,608	(0.02)	159,608	-	64,535	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	671,222	-	671,222	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	157,159	-	157,159	-	-	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	453,529	-	453,529	-	-	-
D-Link Shanghai	D-Link Trade	The ultimate parent company is D-Link Corporation	612,564	9.28	-	-	80,455	-
Cameo	D-Link Corporation	Parent Company	225,571	4.24	-	-	-	-

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

Note 2: The amount represents collections subsequent to September 30, 2023 up to October 26, 2023.

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

(Continued)

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

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount		Book Value	Fair Value
		Non-trading:				
D-Link Corporation	Cross currency swap	USD	USD	18,500	12,597	12,597
D-Link Corporation	Cross currency swap	EUR	EUR	12,000	9,083	9,083
D-Link International	Cross currency swap	CNH	CNH	54,994	639	639
D-Link Corporation	Cross currency swap	CAD	CAD	1,400	160	160
D-Link Corporation	Forward foreign exchange contract	EUR(Sell)	EUR	8,800	10,389	10,389
D-Link Corporation	Forward foreign exchange contract	AUD(Sell)	AUD	1,350	238	238
D-Link Corporation	Forward foreign exchange contract	JPY(Sell)	JPY	490,000	1,669	1,669
D-Link Corporation	Forward foreign exchange contract	CNH(Sell)	CNH	6,000	28	28
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW	3,740,800	1,208	1,208
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL	15,329	2,159	2,159
D-Link International	Forward foreign exchange contract	IDR(Sell)	IDR	15,420,000	224	224
D-Link International	Forward foreign exchange contract	CNH(Sell)	CNH	10,935	160	160
D-Link International	Forward foreign exchange contract	CNH(Buy)	CNH	11,035	310	310
D-Link Corporation	Cross currency swap	JPY	JPY	1,800,000	(6,422)	(6,422)
D-Link Corporation	Cross currency swap	CAD	CAD	1,000	(50)	(50)
D-Link International	Cross currency swap	CNH	CNH	87,601	(263)	(263)
D-Link India	Forward foreign exchange contract	INR(Sell)	INR	145,502	(41)	(41)

(Continued)

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	D-Link Corporation	D-Link Systems	1	Investments accounted for using equity method	1,495,821	-	9%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,706,216	-	15%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	965,775	-	6%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	1,121,530	-	6%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	650,607	-	4%
0	D-Link Corporation	D-Link Europe	1	Investments accounted for using equity method	598,869	-	3%
0	D-Link Corporation	Cameo	1	Investments accounted for using equity method	1,605,915	-	9%
0	D-Link Corporation	D-Link Brazil	1	Investments accounted for using equity method-credit	(198,388)	-	(1)%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(659,585)	-	(4)%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	308,050	60 Days	3%
0	D-Link Corporation	D-Link Systems	1	Sales and service revenue	366,588	75 Days	3%
0	D-Link Corporation	D-Link Europe	1	Sales and service revenue	1,736,359	60 Days	14%
0	D-Link Corporation	D-Link ME	1	Sales and service revenue	424,135	60 Days	3%
0	D-Link Corporation	D-Link Japan	1	Sales and service revenue	485,392	60 Days	4%
0	D-Link Corporation	D-Link India	1	Sales and service revenue	518,256	45 Days	4%
0	D-Link Corporation	D-Link Europe	1	Accounts receivable-related party	601,544	60 Days	3%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	1,212,161	-	7%
2	D-Link International	D-Link L.A.	3	Accounts receivable-related party	671,222	75 Days	4%
2	D-Link International	D-Link Trade	3	Accounts receivable-related party	453,529	180 Days	3%
2	D-Link International	D-Link Capital Investment	3	Investments accounted for using equity method	806,301	-	5%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	1,143,321	-	7%
4	D-Link Shanghai	D-Link Trade	3	Sales	1,171,869	120 Days	10%

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	D-Link Shanghai	D-Link Trade	3	Accounts receivable-related party	612,564	120 Days	4%
5	Cameo	Huge Castle	3	Investments accounted for using equity method	569,086	-	3%
6	Huge Castle	PC	3	Investments accounted for using equity method	408,455	-	2%

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

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

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

Note 3: Nature of relationship are listed as below:

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

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Investment income (losses)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Systems	USA	Sales and after-sales service in USA	1,672,702	1,672,702	48,045,007	100.00 %	1,495,821	(65,157)	(65,157)	D-Link Corporation acquired 1.56% of the shareholding in D-Link Systems from D-Link Holding in November 2022
D-Link Corporation	D-Link Canada	Canada	Sales and after-sales service in Canada	-	216,354	-	100.00 %	-	-	-	D-Link Corporation transferred 100% of its shareholding in D-Link Canada to D-Link Systems in January 2023.
D-Link Corporation	D-Link International	Singapore	Sales and after-sales service in Southeast Asia	1,941,986	1,941,986	66,074,660	99.36 %	2,706,216	179,090	341,129	100% shares owned by D-Link Corporation and D-Link Holding. Investment income included the amounts of transactions between affiliated companies.
D-Link Corporation	D-Link L.A.	Cayman Island	Sales and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(659,585)	-	-	
D-Link Corporation	D-Link Sudamerica	Chile	Sales and after-sales service in Chile	6,512	6,512	199,999	100.00 %	11,537	562	562	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Mexicana	Mexico	Sales and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	3,550	(396)	(396)	100% shares owned by D-Link Corporation and D-Link Sudamerica; In liquidation process.
D-Link Corporation	D-Link Brazil	Brazil	Sales and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(198,388)	(1,711)	(1,711)	100% shares owned by D-Link Corporation and D-Link Holding

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Investment income (losses)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link ME	UAE	Sales and after-sales service in Middle East and Africa	103,930	71,484	6	100.00 %	1,121,530	1,549	1,549	D-Link Corporation acquired 16.67% of the shareholding in D-Link ME from D-Link International in June 2023.
D-Link Corporation	D-Link Australia	Australia	Sales and after-sales service in Australia and New Zealand	16,764	16,764	1,000,000	100.00 %	138,182	(13,888)	(13,888)	D-Link Corporation acquired 0.1% of the shareholding in D-Link Australia from D-Link International in December 2022.
D-Link Corporation	D-Link Holding	BVI	Investment company	891,177	2,242,837	27,044,212	100.00 %	965,775	233,136	168,434	Investment income included the amounts of transactions between affiliated companies; D-Link Holding conducted a cash capital reduction and return the capital USD 41,018 thousand to D-Link Corporation in May 2023.
D-Link Corporation	D-Link Deutschland	Germany	Sales and after-sales service in Germany	120,047	120,050	0	- %	120,047	8,326	-	100% shares owned by D-Link Corporation directly and indirectly. Investment income was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Sales and after-sales service in Japan	595,310	595,310	9,500	100.00 %	650,607	75,811	75,811	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(85,292)	(136,875)	(136,875)	
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	47,116	(275)	(275)	
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 %	1,605,915	(11,153)	(38,389)	Investment losses included the amounts of transactions between affiliated companies; Cameo was an associate before March 31, 2023.
D-Link Corporation	D-Link Europe	UK	Sales and after sales service in Europe	1,260,451	-	32,497,455	100.00 %	598,869	(175,237)	(157,193)	D-Link Corporation acquired 100% of the shareholding in D-Link Europe from D-Link Holding in May 2023.
D-Link Systems	D-Link Canada	Canada	Sales and after sales service in Canada	159,585	-	5,736,000	100.00 %	124,473	(42,167)	(42,167)	D-Link Corporation transferred 100% of its shareholding in D-Link Canada to D-Link Systems in January 2023.
D-Link Investment	D-Link Trade	Russia	Sales and after sales service in Russia	66,538	66,538	(Note 2)	100.00 %	(85,077)	(138,505)	(138,505)	
D-Link Trade	T-COM	Russia	Sales and after sales service in Russia	12,485	12,485	(Note 2)	40.00 %	4,414	(3,881)	3,409	
D-Link International	D-Link ME	UAE	Sales and after sales service in Middle East and Africa	-	34,260	-	- %	-	-	-	D-Link International transferred 16.67% of its shareholding in D-Link ME to D-Link Corporation in June 2023.
D-Link International	D-Link Korea	Korea	Sales and after sales service in Korea	44,300	44,300	330,901	100.00 %	(52,208)	(13,213)	(13,213)	
D-Link International	D-Link Trade M	Republic of Moldova	Sales and after sales service in Moldova	13	13	-	100.00 %	(32)	174	174	

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Investment income (losses)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
D-Link International	D-Link Capital Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	806,301	255,162	255,162	D-Link Russia Investment Co., Ltd. was renamed to D-Link Capital Investment Co., Ltd. on July 28, 2023.
D-Link International	D-Link Malaysia	Malaysia	Sales and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	8,455	715	715	
D-Link International	D-Link Lithuania	Lithuania	Sales and after sales service	3,574	3,574	1,000	100.00 %	9,800	5,078	5,078	
D-Link Lithuania	D-Link Ukraine	Ukraine	Sales and after sales service in Ukraine	4,883	-	(Note 2)	100.00 %	3,449	(1,608)	(1,608)	
D-Link Lithuania	D-Link Kazakhstan	Kazakhstan	Sales and after sales service in Kazakhstan	612	-	(Note 2)	100.00 %	798	210	210	
D-Link Holding	D-Link Europe	UK	Sales and after sales service in Europe	-	971,293	-	- %	-	-	(18,044)	D-Link Holding transferred 100% of its shareholding in D-Link Europe to D-Link Corporation in May 2023.
D-Link Holding	D-Link International	Singapore	Sales and after-sales service in Southeast Asia	8,466	8,466	425,340	0.64 %	(15,811)	179,090	-	D-Link International's investment income was recognized in D-Link Corporation.
D-Link Holding	OOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	-	100.00 %	4,512	285	285	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	1,212,161	116,974	116,974	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Island	Investment company	654,974	654,974	50,000	100.00 %	(139,100)	128,204	128,204	
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	140,624	6,136	6,136	
D-Link Holding	MiiCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	-	-	
D-Link Holding	D-Link Brazil	Brazil	Sales and after sales service in Brazil	-	-	100	- %	-	(1,711)	-	D-Link Brazil's investment loss was recognized in D-Link Corporation.
D-Link Holding	D-Link Sudamerica	Chile	Sales and after sales service in Chile	-	-	1	- %	-	562	-	D-Link Sudamerica's investment income was recognized in D-Link Corporation.
D-Link Mauritius	D-Link India	India	Sales and after sales service in India	340,319	340,319	18,114,663	51.02 %	1,143,321	236,611	120,719	
D-Link Mauritius	TeamFI India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	16	4,645	1	100% shares owned by D-Link Mauritius and D-Link India.
D-Link India	TeamFI India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	135,917	4,645	4,644	100% shares owned by D-Link Mauritius and D-Link India.
D-Link L.A	D-Link Peru S.A.	Peru	Sales and after sales service in Peru	-	-	1	0.03 %	3	(386)	-	D-Link Peru S.A.'s investment loss was recognized in D-Link Sudamerica.
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Sales and after sales service in Colombia	22,213	22,213	1,443,605	100.00 %	7,108	839	839	
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Sales and after sales service in Guatemala	410	410	99,000	99.00 %	604	-	-	In liquidation process.
D-Link Sudamerica	D-Link Peru S.A.	Peru	Sales and after sales service in Peru	38	38	3,499	99.97 %	8,524	(386)	(386)	
D-Link Sudamerica	D-Link Mexicana	Mexico	Sales and after sales service in Mexico	6	6	3	- %	6	(396)	-	D-Link Mexicana's investment loss was recognized in D-Link Corporation; In liquidation process.
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Sales and after sales service in Argentina	2,750	2,750	100	100.00 %	38	-	-	In liquidation process.
D-Link Europe	D-Link Deutschland	Germany	Sales and after sales service in Germany	131,769	131,769	(Note 2)	100.00 %	148,571	8,326	8,326	
D-Link Europe	D-Link AB	Sweden	Sales and after sales service in Sweden	9,022	9,022	15,500	100.00 %	15,242	(1,184)	(1,184)	
D-Link Europe	D-Link Iberia	Spain	Sales and after sales service in Spain	1,976	1,976	50,000	100.00 %	70,189	2,354	2,354	
D-Link Europe	D-Link Mediterraneo	Italy	Sales and after sales service in Italy	2,177	2,177	50,000	100.00 %	30,368	947	947	

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Investment income (losses)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
D-Link Europe	D-Link (Holdings) Ltd.	UK	Investment company	-	-	3	100.00 %	9,614	-	-	
D-Link Europe	D-Link France	France	Sales and after sales service in France	5,287	5,287	114,560	100.00 %	45,092	1,597	1,597	
D-Link Europe	D-Link Netherlands	Netherlands	Sales and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	6,416	(2,230)	(2,230)	
D-Link Europe	D-Link Polska	Poland	Sales and after sales service in Poland	1,210	1,210	100	100.00 %	25,840	1,066	1,066	
D-Link Europe	D-Link Magyarorszag	Hungary	Sales and after sales service in Hungary	523	523	300	100.00 %	4,111	(1,877)	(1,877)	
D-Link Europe	D-Link s.r.o	Czech	Sales and after sales service in Czech	329	329	100	100.00 %	3,299	(1,208)	(1,208)	
D-Link (Holdings) Ltd.	D-Link UK	UK	Sales and after sales service in UK	-	-	300,100	100.00 %	9,614	-	-	
D-Link Mediterraneo	D-Link Adria d.o.o.	Croatia	Sales and after sales service in Croatia	326	326	(Note 2)	100.00 %	-	-	-	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 %	1,132	(5,969)	(660)	
Cameo	Huge Castle	Samoa	Investment company	515,592	-	16,397,718	100.00 %	569,086	(3,827)	(3,827)	
Cameo	Qianjin Investment	Taiwan	Investment company	270,000	-	27,000,000	100.00 %	150,972	1,250	1,250	
Qianjin Investment	Soarnex Technology	Taiwan	International Trade	-	-	-	- %	-	(13)	(13)	Liquidation completed on April 24, 2023.
Huge Castle	PC	Mauritius	Investment company and trading	141,739	-	500,000	100.00 %	408,455	(13,822)	(13,822)	
Huge Castle	Luis Jo'se	BVI	Investment company	43,673	-	1,362,680	100.00 %	46,983	4,536	4,536	

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

Note 2: Limited Company

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

(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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value (Note 2)	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
D-Link Shanghai	Buy and sell of networking equipment and wireless system	629,226	2	629,226	-	-	629,226	125,869	100.00 %	125,869	(153,580)	-	
Netpro	Research, development and trading business	22,588	2	21,055	-	-	21,055	2,335	100.00 %	2,335	16,779	-	
YouXiang	Technical Service and Import/Export trading business	62,764	3	-	-	-	-	(7,319)	9.86 %	-	3,889	-	
Cameo Technology Development (Shenzhen) Co., Ltd.	R&D for communications technology and products	-	2	17,175	-	-	17,175	N/A	- %	N/A	Note 3	-	Note 3 ; Liquidation completed in March 2012.
Nettech Technology (Suzhou) Co., Ltd.	Production, processing, and sale of electronic communications equipment	-	2	141,739	-	-	141,739	(9,916)	- %	(9,916)	-	271,678	Note 6, 7, 8, 9, 10 ; Liquidation completed in August 2023.
Wide View Technology Inc.	R&D, production, and sale of electronic components	-	2	20,923	-	-	20,923	N/A	- %	N/A	Note 4	-	Note 4 ; Liquidation completed in September 2018.
Suzhou Soarnex Technology Co., Ltd	Software development and software services for computer information systems	22,064	2	-	-	-	-	3,485	100.00 %	3,485	28,148	-	Note 5

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: Method of Investment:

- Type 1: Direct investments in Mainland China
- Type 2: Indirect investments in Mainland China
- Type 3: Others

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 32.27 and CNY 4.42 as of September 30, 2023.

Note 3: Cameo Technology Development (Shenzhen) Co., Ltd. completed its liquidation process in March 2012, wherein it refunded the shares amounting to USD \$177 thousand to Huge Castle on November 28, 2013, with the approval of the Investment Commission, Ministry of Economic Affairs (MOEAIC).

Note 4: Wide View Technology Inc. completed its liquidation process in September 2018, wherein it refunded the shares amounting to USD \$740 thousand to Luis Jo'se on September 4, 2018, with the approval of the MOEAIC.

Note 5: Suzhou Soarmex Technology Co., Ltd. was invested by Nettech Technology (Suzhou) Co., Ltd. in Mainland China through self-funding. In August 2019, Nettech Technology (Suzhou) Co., Ltd. transferred its entire shareholdings to Luis Jo'se.

Note 6: Nettech Technology (Suzhou) Co., Ltd. conducted a capital reduction to return the shares amounting to USD \$25,000 thousand, at the percentage rate of 90.20%, based on a resolution of the Board of Directors held on December 8, 2021. The relevant statutory registration procedures had been completed on February 11, 2022. Thereafter, Nettech Technology (Suzhou) Co., Ltd. remitted USD \$25,000 thousand to PC on February 21, 2022.

Note 7: PC conducted a capital reduction to return the shares amounting to USD \$22,000 thousand, at the percentage rate of 81.48%, based on a resolution of the Board of Directors held on April 29, 2022, which is the base date of the capital reduction. PC remitted USD \$22,000 thousand to Huge Castle on June 22, 2022.

Note 8: Huge Castle conducted a capital reduction to return the shares amounting to USD \$22,000 thousand, at the percentage rate of 57.30%, based on a resolution of the Board of Directors held on March 16, 2022, with the base date of the capital reduction on June 8, 2022. Huge Castle remitted USD \$22,000 thousand to Cameo on June 23, 2022, with the approval of the MOEAIC on July 5, 2022.

Note 9: In the third quarter of 2022, Nettech Technology (Suzhou) Co., Ltd. remitted the surplus of USD \$13,219 thousand to PC, and PC remitted it to Huge Castle. Thereafter, the surplus of \$271,678 thousand (USD \$9,003 thousand) was remitted by Huge Castle to Cameo on September 2, 2022. The investment income of \$271,678 thousand (USD \$9,003 thousand) was remitted to Taiwan in 2022.

Note 10: Nettech Technology (Suzhou) Co., Ltd. remitted the surplus of USD \$8,240 thousand and \$2,678 thousand to PC in the second and third quarter of 2023, respectively, had been liquidated based on a resolution approved during the board meeting held in November 2022, with the approval of the NAFR on August 31, 2023.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by the MOEAIC	Upper Limit on Investment
D-Link Corporation	650,281	650,281	(Note 1)
Cameo	179,837	193,022	1,911,433 (Note 2)

Note 1: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

Note 2: The investment limit in Mainland China was calculated based on the official document No.006130 announced by the MOEAIC on November 16, 2001.

(iii) Significant transactions:

For the nine months ended September 30, 2023, 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".

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

(d) Major shareholders:

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

Note 1: The major shareholder information in the above table is calculated by Taiwan Depository and Clearing corporation on the last business day at the end of each quarter. The total number of ordinary shares and preferred shares held by the shareholders who have completed the delivery of the shares without physical registration (including treasury shares) has reached 5% of the total shares. Due to the difference of calculation basis, there may have some discrepancy between share capital recorded in the Company's financial statement and the number of shares already delivered by the company without physical registration.

Note 2: If the above information is related to stock ownership trust, it will be revealed in the trustee account opened by the trustor individually. As for the shareholders' declaration of insider shareholdings that hold more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings, plus their delivery of trusts and shares that have the right to make decisions on trust property. The information related to revelation of insiders' share ownership is available at the Market Observation Post System website.

(14) Segment information:

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

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

The Consolidated Company's income tax expenses are not allocated to reportable segment, and operating segment profit (loss) is determined by the profit before taxation. The reportable amount is consistent with the report used by the chief operating decision and make a performance evaluation.

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

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

For the three months ended September 30, 2023

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 320,445	937,677	2,566,319	-	3,824,441
Inter-company	<u>6,686</u>	<u>2,447</u>	<u>456,998</u>	<u>(466,131)</u>	<u>-</u>
Total revenue	<u><u>\$ 327,131</u></u>	<u><u>940,124</u></u>	<u><u>3,023,317</u></u>	<u><u>(466,131)</u></u>	<u><u>3,824,441</u></u>
Reportable segment profit (loss)	<u><u>\$ (87,693)</u></u>	<u><u>(10,993)</u></u>	<u><u>362,499</u></u>	<u><u>(163,214)</u></u>	<u><u>100,599</u></u>

For the three months ended September 30, 2022

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

For the nine months ended September 30, 2023

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 935,293	3,246,791	8,049,491	-	12,231,575
Inter-company	<u>23,013</u>	<u>12,409</u>	<u>2,198,985</u>	<u>(2,234,407)</u>	<u>-</u>
Total revenue	<u><u>\$ 958,306</u></u>	<u><u>3,259,200</u></u>	<u><u>10,248,476</u></u>	<u><u>(2,234,407)</u></u>	<u><u>12,231,575</u></u>
Reportable segment profit (loss)	<u><u>\$ (106,040)</u></u>	<u><u>(18,085)</u></u>	<u><u>1,529,936</u></u>	<u><u>(656,508)</u></u>	<u><u>749,303</u></u>

(Continued)

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

For the nine months ended September 30, 2022

	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 982,602	3,359,189	8,315,004	-	12,656,795
Inter-company	<u>21,636</u>	<u>16,155</u>	<u>2,150,952</u>	<u>(2,188,743)</u>	<u>-</u>
Total revenue	<u>\$ 1,004,238</u>	<u>3,375,344</u>	<u>10,465,956</u>	<u>(2,188,743)</u>	<u>12,656,795</u>
Reportable segment profit (loss)					
	<u>\$ (78,784)</u>	<u>(323,396)</u>	<u>686,743</u>	<u>(237,387)</u>	<u>47,176</u>
	American markets	European markets	Asia markets and others	Adjustments and eliminations	Total
Reportable segment assets:					
September 30, 2023	<u>\$ 2,754,379</u>	<u>4,419,624</u>	<u>26,954,463</u>	<u>(16,642,217)</u>	<u>17,486,249</u>
December 31, 2022	<u>\$ 2,954,333</u>	<u>4,585,624</u>	<u>23,412,208</u>	<u>(15,530,624)</u>	<u>15,421,541</u>
September 30, 2022	<u>\$ 3,232,049</u>	<u>4,555,449</u>	<u>23,944,825</u>	<u>(15,825,541)</u>	<u>15,906,782</u>