

D-Link Corporation 2020 Annual Report

D-Link Annual Report is available at

<https://mops.twse.com.tw>

Corporate Website

<http://www.dlink.com.tw>

Shareholder Services Website

<http://ir.dlink.com.tw>

Printed on April 30, 2021

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D. Auditors.

KPMG

Auditors: Pao-Lien Chou and Chiu-Hua Hsieh

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E. Overseas Securities Exchange.

None

F. D-Link Corporation Website

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Chapter 1 Letter to Shareholders

Dear Shareholders,

1. 2020 Operating Results

(1) Implementation results of the 2020 business plan

Looking back over the past year that was impacted by the COVID-19 pandemic, countries and regions such as India, Russia and Europe began implementing lockdown policies in March, affecting not only the shipments of local agents, but also equipment installation by system integrators. As a result, 2020 revenue for D-Link Corporation ("The Company") declined significantly in the first half of last year compared with the same period in 2019. However, revenue gradually stabilized in the second half of 2020. Due to the appreciation of the New Taiwan Dollar (NTD) to the US Dollar (USD), the Company's global consolidated annual revenue declined by 11% in terms of NTD. In terms of USD, annual revenue declined by around 7%. Although faced with the challenges of key components shortages and price increases since the fourth quarter of 2020, the Company will continue to strengthen its supply chain management, enhance its core competitiveness, and continue to launch high-quality new products to expand its market share.

(2) Budget execution

The Company did not disclose its financial forecast for 2020.

(3) 2020 Financial results analysis

In 2020, the Company's global consolidated revenue was NT\$15.18 billion, a decrease of 11% compared with 2019; gross margin was 31%, an increase of 3% from 28% in 2019; net operating profit was NT\$80 million, an increase of NT\$460 million from the net operating loss of NT\$380 million in 2019; and net income after tax was NT\$1.24 billion, an increase of NT\$1.75 billion from the net loss after tax of NT\$510 million in 2019, generating an after-tax earnings per share of NT\$1.90.

(4) Research and development status

1.Switches: completed the development of Nuclias Connect, a cloud management platform with switch series and hardware controllers, etc. The Company also developed and launched the DSS network surveillance switch series; and strengthened the industrial switch series products.

2.Wireless routers: successfully launched a full series of Wi-Fi 6 routers; introduced the COVR-1100 wireless mesh router and a new wall-mounted Wi-Fi base station; as well as enhanced the entry-level (AC1200) product line and provided value-added software functions.

3. Broadband network products: began development of gigabit passive optical network (GPON) gateway and integrated access device (IAD) products.

4. Mobile broadband products: enhanced LTE mobile broadband access products and took the lead in launching 5G routers for indoor and outdoor use.

5. Digital cameras and the Internet of Things (IoT): launched a full series of digital cameras with high-level security, high-definition image storage, and artificial intelligence (AI) analysis with alert capabilities. The Company also completed a new generation of mydlink Wi-Fi Water Sensor Kit as well as mydlink Mini Wi-Fi Smart Plug with power measurement and recording functions.

2. Overview of 2021 Business Plan

(1) 2021 Operating policies

The Company adheres to the following operating policies to achieve the established strategic goals.

1. Leverage local presence around the world to stay on top of the trends in the netcom industry and market, formulate innovative product development plans, solidify relationships with key technology strategic partners, launch high-quality industry leading products, and continue to develop value-added smart functions.
2. Maintain discipline in research and development (R&D) and production, continue to improve processes, optimize global supply chains, and capitalize on the overall Company's synergy.
3. Global teamwork: Closely communicate the Company's strategies and policies, build consensus across different cultures and regions, and share local success stories.
4. Sustainable operations: Committed to environmental protection, fulfilling social responsibilities, and continuously improving corporate governance.

(2) Sales forecast and basis

1. Switches

In recent years, the global high-end smart switch market has been affected by the stagnant economy and conservative corporate capital expenditures, with growth becoming increasingly saturated. On the other hand, emerging affordable smart switches and Power over Ethernet (PoE) switches have grown substantially with the needs for enterprise virtual servers, IT outsourcing, as well as deployment and expansion of enterprise or public wireless network access points (Wi-Fi AP). Overall, the small and medium-sized enterprise (SME) switch market has shown relatively stable growth in supply and demand because of its technology, distribution channels, and service barriers to operations. Unmanaged switches declined slightly. The Company will

strengthen its sales teams in various regions, actively develop system integration (SI) channels, prioritize smart switches, and Nuclias/Nuclias Connect cloud management platforms, and focus on overall solutions.

2.Wireless routers

In addition to the netcom companies, mobile phone device vendors, online service providers and local telecom operators have all entered the home wireless router market. The Company's Wi-Fi 6 products and mesh routers have built-in AI functions which allow consumers to better experience the product's speed, convenience, smoothness and security. Leveraging global distribution channels and software services, the Company can still begin the revival of the wireless router market despite market competition. Due to the pandemic in 2020, wireless netcom products experienced a short-term boom, benefiting from the stay-at-home economy, such as remote work and learning. Shipment growth in the first half of the year is expected to slow down due to the impact from core chipset shortages in 2021. However, as the supply chain gradually stabilizes and the Company's many new AI routers successively launches, growth in the second half of the year is anticipated.

3.Broadband network products

DSL fixed broadband network has maintained a certain market share in the network technology market due to its stable speed and low cost. Although vendors in China have engaged in price competition, future growth is anticipated as the Company focuses its products on a few competitive models to reduce costs, while also prepares materials in advance to stabilize supply. In addition, the Company is maintaining its existing customers through customized software and actively exploring sources for new customers. The Company did not engage in the development of GPON until mid-2020 but has already achieved considerable results. In the future, the Company will expand its product series and enhance the added value of its customized software and hardware, while strengthening its bids for telecommunications projects. The pandemic has increased the demand for broadband access, which is still expected to grow considerably this year.

4.Mobile broadband products

The Company led the industry in launching sub-6 5G indoor routers and 5G portable routers, which has shipped mass quantities in the European market. Future launches of 5G outdoor routers, millimeter wave routers, 5G Small Cells, and 5G private network vertical solutions will embrace the global 5G mobile communications boom.

5. Digital cameras and IoT

In recent years, the competition in the IP Camera market has been fierce, and AI wireless network cameras with AI analysis functions have become mainstream. Due to the rise of handheld smart devices and various cloud applications, coupled with increasing demand for security surveillance, the market still maintains a high compound annual growth rate. With the Company's continued investment in R&D, application of higher than industry network security standards, strengthening of the integration of AI functions, and increases of affordable cloud applications, device sales and the proportion of service fee income are expected to increase.

(3) Important production and sales policies this year

Affected by factors such as the pandemic, the US-China trade war, and the commercialization of 5G technology, netcom technologies have undergone substantial changes. On the other hand, there is still insufficient production capacity for the key chips in netcom equipment. Due to the factors above, the guiding principles of the Company's 2021 major sales strategy are "selection" and "concentration", to accumulate volume and reduce costs in obtaining chip supply. The Company is organized into three business groups: Pan-American, Pan-European, and Pan-Asia Pacific. Although each business group implements different sales policies appropriate for the different attributes of its customers, a common theme is the expansion of the online e-commerce market and the offline physical market, while developing the corporate market and enhancing the long-term relationship with telecom operators.

3. Future development strategy

(1) Short-term

1. Cooperate with high-quality original design manufacturers (ODM) to build a controllable supply chain system with close relationships.
2. Reestablish D-Link's brand image and enhance brand value from three aspects: performance, cost and corporate identity.

(2) Mid- and long-term

1. Achieve extremely simplified installation and management of netcom products with cloud computing as the main pillar.
2. Create stable and advanced netcom products with excellent radio frequency and high-speed signal technology.
3. Deliver enterprise solutions based on application sites.

4.The impact of external competition environment, legal environment, and overall business environment

Competition in the netcom market is fierce. Not only are new brands entering the market, but ODMs are also often directly involved in telecom bidding projects. To strengthen product competitiveness, the Company established a strategic procurement department and an e-commerce department to reduce procurement and operating costs. The Company will control core software and hardware technologies to differentiate its products and avoid price competition. In response to the ongoing China-US trade war, the Company has also reduced the proportion of products manufactured in China to effectively lower tariff barriers. The Company has also been preparing for "local manufacturing" in response to rising security awareness in various countries. The Company has established the Business Council for Sustainable Development to not only strive for profitability in its core business, but also to create a sustainable business environment from three aspects: environment, society and corporate governance.

Overall, the introduction and administration of vaccines will effectively control the pandemic. However, there are potential risks in exchange rate and raw material price fluctuations as some countries may begin to adopt a tighter currency policy after the pandemic. In addition, due to the impact of the pandemic this year, there are key chipset shortages and the supply chain is facing severe challenges. In response to material shortages and price fluctuations, the Company has strategically prepared materials to reduce risks.

We sincerely thank all shareholders for their support and trust. Our management team and staff will remain committed to creating business value for all shareholders.

Chairman : John Lee



President : Mark Chen



Chapter 2 Company Profile

(I) Date of Incorporation: 1987.06.20

(II) Company History

Mar 1986	1. D-Link Company Ltd. was established (predecessor to D-Link Corporation Ltd.) 2. A subsidiary was established in the US in the same year.
Jun 1987	D-Link Corporation was formally established at the Hsinchu Science Park.
Aug 1989	A subsidiary was established in the UK.
Feb 1990	A subsidiary was established in Canada.
June 1990	A subsidiary was established in France.
May 1991	A subsidiary was established in Australia.
Jun 1991	The construction of a plant in the Hsinchu Science Park was completed.
Aug 1991	A subsidiary was established in Germany.
Nov 1992	Awarded the first "Outstanding Award for Excellent Industrial Technology Development" from the Ministry of Economic Affairs.
Aug 1994	A subsidiary was established in Singapore.
Oct 1994	The Company was listed on the stock market.
Dec 1994	D-Link Charity Foundation was established.
Jan 1995	A subsidiary was established in India through a joint venture.
Jan 1999	A subsidiary was established in Santiago, Chile to take care Central and South America business.
Apr 2001	The subsidiary in India was listed on India's stock market, becoming Taiwan's first company to list on India's stock market.
Sep 2001	A subsidiary was established in Sao Paulo, Brazil.
Jul 2002	1. A subsidiary was established in Russia. 2. A subsidiary was established in the Middle East.
Aug 2002	A subsidiary was established in Shanghai, China.
Aug 2003	The original OEM/ODM business department, including the Dongguan factory in China, was demerged into Alpha Networks Inc.
May 2004	According to Synergy Research Group's survey, D-Link ranked first in terms of the market share in global consumer network connection products.
Oct 2004	After demerger, D-Link re-obtained ISO 9001 certification for international quality management system.
Jul 2005	A subsidiary was established in Japan.
Oct 2005	Officially moved into the Neihu Corporate Operational Headquarters building.
Nov 2006	After demerger, D-Link re-obtained ISO 14001 certification for the international environmental management system.
Jun 2007	Recognized by Business Week as the 99 th largest IT company in the world and the IT company with the 9 th best return on investment in the world.
Oct 2007	Surpassed the standards in the industry and won TÜV Rheinland STAR's highest score of five stars for the enterprise quality rating.
Nov 2007	Chairman Ken Kao was awarded the "Technology and Communication Entrepreneur Award" at the 2017 EY Entrepreneur of the Year Awards
Dec 2007	Led the world by launching green switch of Green Ethernet, and successively launching the "Dlinkgreen", a series of products to implement the Company's vision of corporate sustainability.
Apr 2008	Mr. Ken Kao, the founder and Chairman of the Board, passed away.
Oct 2008	Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade,

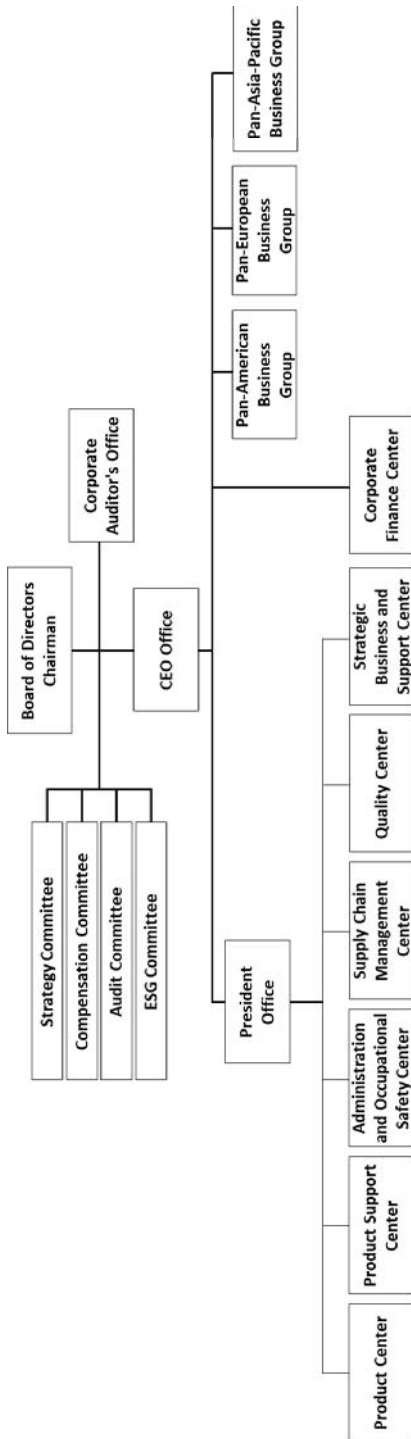
	Ministry of Economic Affairs, for the fifth consecutive year.
Dec 2008	Obtained ISO 27001 certification for the information security system.
Nov 2009	1. Awarded the Outstanding Innovation Enterprise Award at the 17 th Industrial Technology Development Award held by the Ministry of Economic Affairs. 2. Chairman John Lee was awarded the personal achievement award "R&D Management Innovation Award" at the 17 th Industrial Technology Development Award held by the Ministry of Economic Affairs.
Oct 2010	D-Link's network security system was recognized and patented in the UK.
Mar 2011	A subsidiary was established in Korea.
Jul 2011	Awarded the "Top 100 Taiwanese Brands" organized by Bureau of Foreign Trade, Ministry of Economic Affairs, and executed by TAITRA.
Sep 2011	Won the "2011 Taiwan Top 20 International Brands" award organized by the Bureau of Foreign Trade, Ministry of Economic Affairs, executed by TAITRA, and co-organized by Business Next and Interbrand.
Dec 2011	1. Led the netcom industry as the first player to launch innovative and revolutionary new products, "D-Link Cloud Series," including cloud routing, cloud monitoring, and cloud storage, integrating the concepts of cloud life and the mydlink platform, a pioneering initiative to integrate cloud services for Netcom products. 2. 17 D-Link products won the 20 th Taiwan Excellence Awards (2011 Taiwan Excellence).
Jun 2012	1. Participated in the World IPV6 Launch Day and enabled the IPV6 network communication protocol of multiple products as a default to accelerate the establishment of IPV6 by corporate users and ISPs. 2. The innovative technology of "Zero Setting" was launched.
Sep 2012	Awarded "2012 Top 20 International Brands in Taiwan" organized by the Bureau of International Trade, Ministry of Economic Affairs.
Oct 2012	Awarded "Outstanding Innovation Enterprise Award" at the 2 nd National Industrial Innovation Awards launched by the Ministry of Economic Affairs.
Sep 2013	Won first place in the wireless router evaluation conducted by SmallNetBuilder, a well-known network equipment evaluation unit.
Oct 2013	Won the 2013 Japan Good Design Award.
Nov 2013	Won the "2013 Taiwan Top 20 International Brands" award.
May 2014	Launched the first smart socket, DSP-W215, which was equipped with the innovative and revolutionary cloud service platform (Gu-Ji Cloud) of mydlink™ Home. With the simplest "Plug and Play" method, it realized a smart life for consumers.
Nov 2014	8 D-Link products won the 22 nd Taiwan Excellence Awards.
Dec 2014	1. Awarded the "2014 Taiwan Top 20 International Brands." 2. Launched the concept of "GET YOUR HOME TALKING; Smart Home • Internet of Things." With the app of mydlink™ Home as an integrated platform, D-Link launched a series of smart home products, including Wi-Fi network cameras, Wi-Fi smart sockets, and Wi-Fi smart sensors, with the most comprehensive layout in the smart home field in the netcom industry.
Sep 2015	Awarded in the "2015 Taiwan Top 20 International Brands " organized by the Industrial Development Bureau, Ministry of Economic Affairs, executed by the Taiwan Institute of Economic Research, and co-organized by Interbrand, a global brand value survey agency.
Oct 2015	1. Became the first company in Taiwan to pass the latest version of ISO 9001: 2015/ISO 14001: 2015 certification. 2. Led the world by launching the first home-use 180° super wide-angle network cameras: DCS-2630L and DCS-960L.

Nov 2015	8 D-Link products won the 23 rd Taiwan Excellence Awards.
Jan 2016	Led the industry to launch a full range of smart home products that supported IFTTT, providing a more comprehensive and user-friendly experience to realize a smarter new generation of IoT applications.
Dec 2016	1. Awarded the 25 th Taiwan Excellence Awards for 8 of its products. 2. Cooperated with Microsoft to enter the super Wi-Fi market. The main applications included the improvement of indoor wireless network coverage and relevant IoT applications.
Sep 2017	Awarded the 26 th Taiwan Excellence Awards for 6 of its products.
Jan 2018	1. Launched the new 11AX router, the new generation of Covr Wi-Fi system, and the new mydlink smart home solution at CES 2018. 2. Announced the cooperation with McAfee to launch the DIR-2680AC2600 wireless router, which provided comprehensive protection of home networking devices at CES 2018.
Feb 2018	1. At the 2018 Mobile World Congress, D-Link announced the launch of the cloud network management solution of Nuclias, and three high-end camera models in the mydlink Pro series, which provided full HD, smart image analysis, IP65 waterproof rating, and cloud recording functions. 2. At the 2018 Mobile World Congress, D-Link announced the launch of new mobile connection solutions, including Edge as a Service, Connected Transportation, Smart Parking, Smart Retail, and Fixed Mobile Convergence (FMC).
Jul 2018	Launched the first Open Thread Border Router (OTBR) in the world.
Jan 2019	1. Launched McAfee EXO series routers at 2019 CES. 2. Launched new smart home product of mydlink and new application functions. 3. To usher in the 5G era, D-Link's mobile communication broadband router of DWR-2010 5G won the Innovation Award at CES. 4. D-Link showcased Zigbee's smart home solution.
Feb 2019	1. Launched a new smart city solution at 2019 MWC. 2. D-Link cooperating with Microsoft to provide tailor-made smart edge solutions for businesses and cities. 3. D-Link announced the launch of Nuclias Connect—enterprise centralized network management solution. 4. D-Link expanded Nuclias series products by releasing new wireless access and switches. 5. D-Link adopted the MP-TCP technology to launch hybrid VDSL2/LTE home routers. 6. D-Link launched the Tolly-certified 5000 series of data center switch.
Apr 2019	In a survey conducted by 1111 Job Bank, D-Link was selected by office workers as a Happy Enterprise.
Aug 2019	D-Link launched complete industrial-grade Internet solutions at the 2019 International Industrial Automation Exhibition to promote integration of industry and internet.
Nov 2019	To usher in a new generation of Wi-Fi 6 communications, D-Link's brand new 5G NR wireless routers won the 28 th Taiwan Excellence Awards.
Jan 2020	D-Link exhibited its latest technologies and solutions, including 5G, AI, Mesh and 802.11ax (Wi-Fi 6) at 2020 CES, to provide comprehensive smart wireless networking experience.
Feb 2020	D-Link's DCS-8526LH wireless network camera won the iF award in 2020
Apr 2020	D-Link announced that the wireless router series adopting the 802.11ax wireless standard (Wi-Fi 6) would be officially launched in Taiwan.
Jun 2020	D-Link announced the launch of brand new 5G mobile communication wireless routers

	management solution.
Jul 2020	<ol style="list-style-type: none"> 1. D-Link launched Group Temperature Screening Camera Kit: DCS-9500T, with the ability to scan up to 30 people simultaneously. 2. Launched the D-Link Mesh wireless router: COVR-1100 certified by EasyMesh™.
Sep 2020	D-Link launched brand new application of mydlink for convenient home monitoring.
Oct 2020	D-Link launched a variety of brand new high-speed Ethernet Switch to deploy and build data center for enterprises.
Dec 2020	<ol style="list-style-type: none"> 1. The mydlink Full HD Pan & Tilt Pro Wi-Fi Camera, DCS-8526LH, and the Outdoor Wi-Fi Smart Plug, DSP-W320, stood out from many products and was awarded the 29th Taiwan Excellence Awards. 2. D-Link launched four wireless base stations with Wi-Fi 6, which could go with Nuclias Connect internet management solution or Nuclias Cloud network management platforms. 3. D-Link formally obtained the Taiwan agency for Juniper Networks.
Jan 2021	<ol style="list-style-type: none"> 1. At the 2021 CES, D-Link showcased the latest mydlink, Wi-Fi 6, 5G, and 2.5 Gigabit Ethernet solutions that digitally transform the home to meet users' needs during and post pandemic. 2. D-Link announced official implementation of the IEC 62443-4-1 industry security standard, from design and development to testing and implementation, developed all products with strict security processes integrated into the product life cycle. 3. D-Link announced new COVR-X1870 Series Whole Home Mesh Wi-Fi 6 Systems.
Feb 2021	D-Link Taiwan Branch announced obtaining the Taiwan agency for Cyberbit and launched Cyberbit Range Information Security Resolution to provide information security defense technology leading the world and training talented person to create strong information security protection.

Chapter 3 Corporate Governance

- (I) Organization
- (1) Organization chart



(2) Department functions

Department	Functions
Board of Directors	The Chairman of the Board of Directors is the legal representative of the Company and is authorized by the Board to manage all businesses and make decisions on behalf of the Company.
Strategy Committee	Responsible for business policy, determining business goals, and planning various measures to achieve the goals, as well as coordinating the departments in effectively implementing all aspects of the management policies.
Compensation Committee	Improving corporate governance and strengthening the remuneration management function of the Board of Directors, assisting in the implementation and assessment of the remuneration paid to the Directors and managerial officers of the Company.
Audit Committee	Assisting the Board of Directors in fulfilling the supervision of the Company's proper reporting of the Company's financial statements, appointment (dismissal) of CPAs and the independence of CPAs, effective implementation of the Company's internal control, the compliance with relevant laws and regulations, as well as the control and management of the Company's existing or potential risks.
ESG Committee	Stipulating the operational management, product development, sales, social behavior and activities, and improving the performance of the Company in environment, society and corporate governance to achieve sustainable performance.
Corporate Auditor's Office	Evaluating the effectiveness of the Company's internal control system and the deficiencies during its implementation, while providing suggestions for improvement in a timely manner.
President Office	<ol style="list-style-type: none"> 1. Implementing the Company's major resolutions adopted by the Board of Directors, comprehensively managing the Company's future business development plan, as well as guiding and supervising various marketing and sales activities. 2. Establishing the Company's brand image and planning the Company's business goals, direction, and vision.
Product Center	<ol style="list-style-type: none"> 1. Strategic planning and application of D-Link's full range of product and service platform. 2. Coordinating the needs across different units and product lines and completing communication and introduction through PLM. 3. Coordinating the functions of product packaging appearance, mechanical design, and visual image.
Product Support Center	<ol style="list-style-type: none"> 1. Planning and formulating the overall R&D strategies for new products and technologies. 2. Research, planning, design, and specification setting for D-Link's full range of products. 3. Development and design of the D-Link service platform and user interface as well as planning and management of software project schedules. 4. Setting software specification and testing for products; automatic test development and test case development 5. Development and testing of product software application systems and functions. 6. Verifying product software and hardware functions and compatibility; providing quick and effective technical support services.
Administration	<ol style="list-style-type: none"> 1. Managing hardware/software operations and planning for global information-

Department	Functions
and Occupational Safety Center	<p>related systems.</p> <ol style="list-style-type: none"> 2. Establishing and implementing information standardization systems in conjunction with the IT/MIS integrated system. 3. Human resources-related affairs, including education, training, recruitment, and salary management. 4. Legal matters related to investment, technology, procurement, marketing, creditor rights, and intellectual property rights. 5. Logistics support for general affairs, property and equipment management, and occupational safety and health management.
Supply Chain Management Center	<ol style="list-style-type: none"> 1. Management of procurement, price negotiation, delivery, and distribution logistics of products outsourced. 2. Supplier management, product supply and demand management, as well as import and export operations. 3. Integrating estimates for global procurement needs for products and components, strategic procurement management.
Quality Center	<ol style="list-style-type: none"> 1. Establishing a comprehensive product development quality control system, setting mid- and long-term quality objectives and plans, and improving product quality and the Company's brand image. 2. Performing regular audits of suppliers' product quality, development, and production capabilities.
Strategic Business and Support Center	<ol style="list-style-type: none"> 1. Coordinating and planning public relations and corporate communication strategies for the Company's brand and product images; executing various marketing events. 2. To ensure the consistency of the Company's brand image across the world, the center works within the product and operation strategies to formulate global marketing programs, and plan and produce marketing materials for global products and solutions. 3. Coordinating and planning global digital marketing strategies and establishing and managing digital marketing media. 4. Producing technical documents for global products, making it easier for users to understand product features and installation methods to realize a better user experience. 5. Improving the service quality and accurately understanding the status of product quality through the operation of the global RMA system and the establishment of the global customer service centers for customer relationship management.
Corporate Finance Center	<ol style="list-style-type: none"> 1. Formulating the Company's wealth management and investment strategies, making effective use of funds, and controlling financial risks to achieve the reasonable return on the Company's overall investments. 2. Analyzing the operating performance of each operating unit. 3. Facilitating the communication between the Company and investors to enhance the transparency of financial information. 4. Financial related business, including cash management, financing management, hedging, credit risk management, investment management, and stock affairs. 5. Conducting relevant accounting operations of the head office and the Taiwan branch. 6. Coordinating and compiling relevant accounting operations of the branches

Department	Functions
	<p>and subsidiaries around the world.</p> <p>7. Providing various financial and management reports for decision-making.</p>
Business Groups	<ol style="list-style-type: none"> 1. Implementing the guiding principles and operating policies stipulated by HQ for OBU to formulate business strategy, plan, and risk management policy, respectively. 2. Carrying out regulations stipulated by HQ on the relevant business practices of each OBU. 3. Being responsible for the performance of OBU on various operating indicators. 4. Promoting products designed by HQ Products Center to the OBU and expand the product lines' scope. 5. Reporting the local market demands and situations of each OBU and coordinating internal resources of D-Link HQ for enhancing the performance efficiency of the overall Company.

(II) Information on Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches
(1) Directors

Title	Nationality/Birthplace of registration	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Education and work experiences	Other positions held in the company or other companies	Business, directors or supervisors of the second degree of kinship		Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	
Chairman	Republic of China	John Lee	Male	2020.06.15	3	1993.06.21	11,249,744	1.7	11,679,744	1.8	—	—	—	—	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of Alpha Networks Inc.	Note 1	—	—	—
		Young Sun Investment Co., Ltd. Representative: Joseph Wang	—	2020.06.15	3	2020.06.15	6,520,000	1.0	6,520,000	1.0	—	—	—	—	—	Note 2	—	—	—
Director	Republic of China	Representative: Victor Kuo	Male	2020.10.26	3	2020.06.15	—	—	—	—	—	—	—	—	Education: Department of Law, National Cheng Hsing University Experience: Graduate Institute of Electrical Engineering, National Taiwan University President of AXUS Microsystems, Inc. & Amn Wireless Inc., CEO of Amigo Technology, Inc.	Note 3	—	—	Note 4
		Pu Ju Investment Co., Ltd. Representative: David Tai	—	2020.06.15	3	2020.06.15	12,489,000	1.9	12,491,000	1.9	—	—	—	—	Education: Massachusetts Institute of Technology Experience: Investment Manager of Walden International, Project Manager of Manufacturing Department of Taiwan Semiconductor Manufacturing, Partner and Vice President of Maxima Capital Management, Business Manager of Digital Equipment Corporation (Compaq Computer)	Note 5	—	—	Note 6
Director	Republic of China	Representative: Alan Yu	Male	2020.06.19	3	2020.06.15	—	—	—	—	—	—	—	—	Education: University of California Experience: Computer Engineering, Santa Clara University, California	Note 7	—	—	Note 8
Director	Republic of China	Howard Kuo	Male	2020.06.15	3	2020.06.15	3,394,283	0.5	3,444,283	0.5	—	—	—	—	Education: Graduate Institute of Mainland China Studies, National Sun Yat-Sen University, USA Experience: Special Assistant of CEO Office of D-Link Corporation	Note 9	—	—	—
Independent Director	Republic of China	Richard Lee	Male	2020.06.15	3	2020.06.15	—	—	—	—	—	—	—	—	Education: Bachelor in Accounting, Chinese Culture University Experience: Presiding Judge of Taiwan Kaohsiung District Court	Note 10	—	—	—
Independent Director	Republic of China	Richard Chen	Male	2020.06.15	3	2020.06.15	—	—	—	—	—	—	—	—	Accountant of Rong-Cong United Accounting Firm, Accounting Manager of DBEI Taiwan Limited., Finance Manager of The Hsin Transportation and Terminal Co., Ltd., Accountant of Cheng He CPAs Firm, Accountant of TamerFloore LP.	Note 11	—	—	—

Note1: Representative of D-Link International Pte. Ltd., D-Link Investment Pte. Ltd., Supervisor of Lanmei Electronics Inc.

Note2: Director of Caneo Communications, Inc.

Note3: Chairman of Kings Asset Management Co., Ltd., Alwin Steel Group United Co., Ltd., Taiwan Network Group United Co., Ltd., Gloria Material Technology Corp., S-Teck Corp., Homkon Precision Industry Corp., Guanhou Goldway Special Metal Corp., Ltd., Tianjin Goldway Special Metal Corp., Ltd., Zhejiang Jiangxi Goldway Special Metal Corp., Ltd., Shing Yang Metal Material Technology Co., Ltd., Ho Yang Investment Corp., Alloy Tool Steel Inc., G-Box Enterprises Ltd., Ai Win Enterprises Ltd., Path Enterprises Ltd., Vee Chairman Of Chun Zu Machinery Industry Co., Ltd. Director Of Chun Yu Works & Co., Ltd., Soft-World International Corporation, Taiwan Systems Monomer Corporation, Caneo Communications, Inc., Chun Bang Precision Co., Ltd., Chung Bo-Tech Corp., Chun Yu Investment Co., Ltd., Shanghai Chun Zu Machinery Industry Co., Ltd., Independent Director Of Huang Long Development Co., Ltd. Supervisor of

Note4: Re-assigned the representative from Fred Fong to Joseph Wang on 2020.10.26

Note5: Chairman of Amn Wireless Inc., Legal Representative of Amigo Technology Inc., Yong Rui Investment Co., Ltd.

Note6: Re-assigned the representative from Steve Lin to Victor Kuo on 202.10.02

Note7: Chairman of Paralink ASEM Management Ltd., Hui-Pen Management Consulting Co., Ltd., Paralink Asset Management Asia Ltd., Taiwan Branch, Director of Ways Technical Corp., Ltd., Acon Optics, General Manager of Hua-Su Venture Capital Ltd.

Note8: Chairman of D-Link (India) Ltd., Representative of D-Link Canada Inc., D-Link Holding Co., Ltd., D-Link Shing-Hai (Cayman) Inc., D-Link International Pte. Ltd., D-Link Russia Investment Co., Ltd., D-Link Mexicana S. de C.V., D-Link Japan KK, D-Link Investment Pte. Ltd., D-Link Latin-America Company Ltd., D-Link Pte. Ltd., D-Link International Pte., Ltd.

Note9: Director of Taiwan Shyne Monomer Corporation, Independent Director of Taiwan Tea Corporation, Taling Company, Partner Lawyer of Yuan-Chen & Partners Attorneys-at-Law.

Note10: Independent Director of Genersilux Technology Inc., Radiant Innovation Inc., Advanced Wireless & Antenna Inc., Supervisor of Tung Hwei Corp., Accountant of Trustworthy CPAs Firm.

Note11: Independent Director, Chung, Shiang-Fong resigned on 2021.03.19.

1. Major shareholders of Institutional Shareholders

2021.04.20

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders	Percentage (%)
Young Syun Investment Co., Ltd.	Taiwan Network Group United Co., Ltd.	100
Pu Ju Investment Co., Ltd.	Lori Hu	99.93
	Howard Kao	0.07

2. Institutional shareholders whose major shareholders are institutions

2021.04.20

Name of institutional shareholder	Major shareholders of institutions	Percentage (%)
Taiwan Network Group United Co., Ltd.	Yitongyuan investment Co., Ltd.	100

3. Professional qualifications and independence of the Directors

Name (Note)	Qualification	Meets one of the following professional qualifications, with at least five years of work experience	Independence criteria (Note)												Number of other public companies where the individual concurrently serves as an independent director		
			Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience required for business, legal affairs, finance, accounting, or corporate business	1	2	3	4	5	6	7	8	9	10		11	12
John Lee		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university		✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Young Syun Investment Co., Ltd. Representative: Joseph Wang			✓						✓	✓	✓	✓	✓	✓	✓	✓	1
Young Syun Investment Co., Ltd. Representative: Victor Kuo				✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Pu Ju Investment Co., Ltd. Representative: Alan Yu				✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Pu Ju Investment Co., Ltd. Representative: David Tai				✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Howard Kao				✓					✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director Richard Lee				✓					✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director Richard Chen				✓					✓	✓	✓	✓	✓	✓	✓	✓	3

Note: Please tick the corresponding boxes if Directors have met any of the following conditions during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (however, if the person is an independent director who concurrently serves in the company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with regulations, this requirement shall not apply).
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the Company's total issued shares, who are among the top five shareholders, or who designate its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (6) Not a director, supervisor, or employee of another company or institution whose majority of director seats or voting rights are held by the same person (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company are the same person or are spouses (however, if the person is an independent director who serve concurrently in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (8) Not a director (managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company (however, if the specific company or institution holds more than 20% and no more than 50% of the total issued shares of the Company and if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (9) Not a professional individual who, or an owner, partner, director (managing supervisor), supervisor (managing supervisor), or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within the second degree of kinship with any director.
- (11) Not a person meeting any conditions defined in Article 30 of the Company Act.
- (12) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

4. Diversity Status of the composition of Directors

D-Link has set the diversity policy of the Board of Directors in Article 20 of the "Corporate Governance Best Practice Principle". We have 9 directors, the percentage of the Company's directors' who are employee is 22%, and the percentage of independent directors is 33%.

The current Board of Directors consist of members with professional experience in various fields, such as management administration, leadership, decision making and industrial knowledge. Mr. Richard Chen has a professional background in accounting and financial analysis and Mr. Joseph Wang and Mr. Richard Lee have legal background expertise and can provide professional advice to the Company from different perspectives. Additionally, the Company has met the management goal of the number of directors who concurrently serve as Company manager do not exceed one-third of the total number of directors.

Diversity Status of the composition of the 12th Board of Directors:

Item	Basic Information					Ability								
	Gender	Employee of the Company	Age		Tenure of Independent Director		Operational Judgement	Accounting and Financial analysis	Management administration	Crisis management	Industrial Knowledge	International market perspective	Leadership	Decision making
			Under 50 years	51 to 60 years	61 to 71 years	Under 3 years								
Name of Directors														
John Lee	Male	✓	✓				✓		✓		✓		✓	✓
Joseph Wang	Male		✓				✓		✓		✓		✓	✓
Steve Lin ¹	Male	✓		✓			✓		✓		✓		✓	✓
David Tai	Male		✓				✓		✓		✓		✓	✓
Alan Yu	Male			✓			✓		✓		✓		✓	✓
Howard Kao	Male	✓	✓				✓		✓		✓		✓	✓
Chung, Siang-Fong ²	Male			✓			✓		✓		✓		✓	✓
Richard Lee	Male		✓				✓		✓		✓		✓	✓
Richard Chen	Male		✓				✓		✓		✓		✓	✓

Note1: Reassigned the representative of Young Syun Investment Co., Ltd. from Steve Lin to Victor Kuo on 2021.02.02

Note2: Independent Director, Chung, Siang-Fong resigned on 2021.03.19

Date: 2020.12.31

(2) Information regarding President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

Title	Nationality	Name	Gender	Date elected	Shareholding Shares %	Spouse/ minor shareholding Shares %	Shareholding by nominees Shares %	Education and work experiences		Other positions concurrently held at the Company or other companies	Managerial officers who are spouses or within the second degree of kinship		Remarks	
								Spouse/ minor shareholding Shares %	Shareholding Shares %		Title	Name		Relation
CEO	Republic of China	John Lee	Male	2020.07.10	11,679,744 1.8	—	—	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of Alpha Networks Inc. Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of Alpha Networks Inc. Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of Alpha Networks Inc.	Representative of D-Link International Pte. Ltd. & D-Link Investment Pte.Ltd., Supervisor of Lanier Electronics Inc.	—	—	—	Note1	
President	Republic of China	Mark Chen	Male	2020.08.11	—	—	—	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of Alpha Networks Inc. Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of Alpha Networks Inc.	Chairman of D-Link Collaboration Inc.	—	—	—	—	—
Senior/Vice President	Republic of China	Fred Fong	Male	2020.07.06	—	—	—	Education: Master and PhD, University of Pittsburgh Experience: Technical Director of NXP Semiconductors Taiwan Ltd., President of Philips Electronics Industry (Changshu), Vice President of Tungsan Industrial Co., Ltd., Independent Director of Integrated Circuit Co., Ltd., Independent Director of D-Link Corporation.	—	—	—	—	—	—
Senior Vice President	Republic of China	Cl Chang	Male	2020.07.06	1,420 0.0	—	—	Education: Graduate Institute of Business Management, Sincere University Experience: Executive Assistant of Century InfoComm Tech. Co., Ltd., COO of @Network Inc., President of Advantage Century Telecommunication Education: Graduate Institute of Business Management, Sincere University Experience: Executive Assistant of Century InfoComm Tech. Co., Ltd., COO of @Network Inc., President of Advantage Century Telecommunication	Representative of D-Link (Shanghai) Limited Corp., Netron Trading (Shanghai) Co., Ltd., D-Link Korea Ltd., D-Link Japan K.K., D-Link Australia Pty Ltd., D-Link Middle East FZCO.	—	—	—	—	—
Vice President	Republic of China	Louis Huang	Male	2020.06.16	—	—	—	Education: Graduate Institute of International Business, National Taiwan University Experience: CEO of PDA, Vice President of Soytech Enterprise Corporation, Executive Vice President of Thermake Technology Co., Ltd., Director of Marketing in D-Link.	Representative of D-Link (Shanghai) Limited Co., Ltd. Chairman of D-Link (Shanghai) Limited Co., Ltd. Chenghai Branch	—	—	—	—	—
Vice President	Republic of China	Shanglin Chung	Male	2020.07.01	42,893 0.0	—	—	Education: Materials and Optoelectronic Science, National Kaohsiung Normal University, San Yatsen University. Experience: Senior Director of Wireless and Router Products in D-Link.	—	—	—	—	—	—
Vice President	Republic of China	Rita Huang	Female	2020.09.01	—	—	—	Education: Graduate Institute of Finance, National Kaohsiung University of Science and Technology Experience: Senior Director of Sales and CEO of Ansh Wireless Inc., Leader and Associate of Finance of Eveready Industrial Co., Ltd.	Chairman of Taiwan Styrene Monomer Investment Corporation Director of Ansh Enterprise Co., Ltd.	—	—	—	—	—
Vice President	Republic of China	GK Lee	Male	2009.02.02	—	—	—	Education: PhD of Electrical Engineering of Purdue University, USA Experience: Vice President of Mobile Com BU, Wistron NetWeb Corporation; Vice President of Business Division of Powercom Technology Co., Ltd., Researcher of Group V, Computer & Communication Lab, Industrial Technology Research Institute	Representative of D-Link (Europe) Ltd.	—	—	—	—	—
Vice President	Republic of China	Kevin Chung	Male	2012.10.11	322,556 (0.04%)	—	—	Education: Bachelor of Business Administration, Tainan University Experience: Senior Director of Product & Support Administration Center, Taiwan Branch.	President of Taiwan Branch, D-Link Corporation	—	—	—	—	—
Vice President	Republic of China	ML Jean	Male	2012.02.08	—	—	—	Education: Master, Electrical Engineering, Syracuse University Experience: Senior Director of Ethernet and Information Security Products Division of the Company, Assistant Vice President of Marketing and R&D.	Representative of Team F1 Networks Private Limited	—	—	—	—	—
Vice President	Republic of China	Sen Cheng	Female	2021.03.02	—	—	—	Education: Bachelor Dickson University (MBA - Finance) Experience: TP-LINK Sales VP, Alpha Networks A/P, MitraStar Technology Sales VP, Edutea Communications Director, ZYXEL Communication Corp Senior Account manager, Micromax Computers Business manager	—	—	—	—	—	—
Assistant Vice President	Republic of China	Allen Cheng	Male	2021.04.05	—	—	—	Education: Graduate Institute of Science, National Cheng Kung University Experience: Senior Supervisor of Network Technology, Micro Incorporated, Technical Manager of Acton Technology Corp.	—	—	—	—	—	—
Assistant Vice President	Republic of China	Zha Wu	Female	2016.07.13	64,610 0.0%	—	—	Education: Master of Computer Science, California State University, Sacramento Experience: Technical Director of LAN R&D Center, Alpha Networks Inc., Technical Assistant Vice President of Software R&D Center, Acton	Chairman of Netron Trading (Shanghai) Co., Ltd., Beijing Branch and Chengde Branch	—	—	—	—	—
CEO	Republic of China	Joanne Chen	Female	2020.08.24	—	—	—	Education: Graduate Institute of International Affairs, University of California, San Diego Experience: CFO of New Bidding Investment Corporation (Taipei Taiwan), Acting Manager of Poyda Financial Services (Taiwan), Accounting Supervisor of Poyda Financial Services (Irvine, USA), Senior Auditor of Ernst & Young LLP (Los Angeles, USA)	Representative of D-Link Holding Co., Ltd., D-Link (Europe) Ltd., Success Stone Overseas Corp., D-Link Share-Hi (Gyoma) Inc., D-Link Russia Investment Co. Ltd., D-Link Italia Pty Ltd., D-Link Middle East FZCO, D-Link Latin America Ltd., D-Link India Pvt. Ltd., D-Link (Singapore) Pte. Ltd., D-Link (Australia) Pty Ltd., D-Link (USA) Holding Marubeni Inc.	—	—	—	—	—
Accounting Supervisor	Republic of China	Claire Chou	Female	2020.08.11	—	—	—	Education: Bachelor of Accounting, National Taiwan University Experience: Deputy Director of Accounting Department of the Corporation	—	—	—	—	—	—

Note1: Mr. John Lee is director and concurrently Chief Executive Officer of the Company.

Note2: The President, Lori Hu, resigned on 2020.06.01.

Note3: The Senior Vice President, Steve Lin, resigned on 2021.03.23.

Note4: The Senior Vice President, Evelyn Wang, resigned on 2020.06.15.

Note5: The Assistant Vice President, Anderson Wu, resigned on 2020.08.31.

Note6: The Accounting Supervisor, Jane Yu, resigned on 2020.06.15.

(iii) Remuneration paid to Directors, President and Vice Presidents, General Directors, and Independent Directors
 (1) Directors' Remuneration

Title	Name	Remuneration to directors				Ratio of total remuneration (A+B+C+D) to net income (E)		Retainor remuneration received by directors who are also employees				Total remuneration (A+B+C+D+E) as a % of net income after tax	Remuneration from an entity other than the Company's subsidiaries or parent company				
		Remuneration (A)		Remuneration to directors (C)		All Companies' Financial Statements	All Companies' Financial Statements	Employee rewards (G)		All Companies' Financial Statements	The Company			The Company	All Companies' Financial Statements		
		The Company's Financial Statements	All Companies' Financial Statements	The Company's Financial Statements	All Companies' Financial Statements			Cash	Stock							Cash	Stock
Chairman	John Lee	250	250	0	0	48	48	0.02	0.02	3,730	0	0	0	0	0.32	0.32	0
Director	Young Spin Investment Co., Ltd. Representative: Steve Lin	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Fred Fong ¹	65.3	65.3	0	0	30	30	0.01	0.01	2,051	2,051	0	0	0	0.17	0.17	0
	Representative: Joseph Wang	22	22	0	0	6	6	0.00	0.00	0	0	0	0	0	0.00	0.00	0
Director	Pu Ju Investment Co., Ltd. Representative: David Tai	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Lori Hu ²	65.3	65.3	0	0	30	30	0.01	0.01	0	0	0	0	0	0.01	0.01	0
	Representative: Lori Hu ³	1.3	1.3	0	0	0	0	0.00	0.00	0	0	0	0	0	0.00	0.00	0
Director	Gao Ju Investment Co., Ltd. Representative: Alan Yu	64	64	0	0	24	24	0.01	0.01	0	0	0	0	0	0.01	0.01	0
	Representative: Lori Hu ⁴	0	0	0	0	24	24	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Yu Chi-Tung ⁵	0	0	0	0	12	12	0.00	0.00	0	0	0	0	0	0.00	0.00	0
Director	Alpha Networks Inc. Representative: Lin Yu-Chin ⁶	50	50	0	0	6	6	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Lin Wei-Pang ⁷	0	0	0	0	6	6	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Sung Ching-Yif ⁸	0	0	0	0	12	12	0.00	0.00	0	0	0	0	0	0.00	0.00	0
Director	Chien Chin Investment Co., Ltd. Representative: Gary Chen ⁹	63	63	0	0	12	12	0.01	0.01	0	0	0	0	0	0.01	0.01	0
	Representative: Lori Hu ¹⁰	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Lori Hu ¹¹	0	0	0	0	24	24	0.01	0.01	0	0	0	0	0	0.01	0.01	0
Director	Mun-Wei Investment Co., Ltd. ¹¹ Representative: Howard Kao	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0.00	0.00	0
	Representative: Howard Kao	65.3	65.3	0	0	30	30	0.01	0.01	1,694	1,694	0	0	0	0.14	0.14	0
	Representative: Chung-Shyang Fong ¹²	840	840	0	0	48	48	0.07	0.07	0	0	0	0	0	0.07	0.07	0
Independent Director	Richard Lee Representative: Richard Chen	457.3	457.3	0	0	30	30	0.04	0.04	0	0	0	0	0	0.04	0.04	0
	Richard Chen	457.3	457.3	0	0	30	30	0.04	0.04	0	0	0	0	0	0.04	0.04	0
	Fred Fong	383	383	0	0	18	18	0.03	0.03	0	0	0	0	0	0.03	0.03	0
Independent Director	Freds Chen ¹³ Representative: Fred Fong	350	350	0	0	24	24	0.03	0.03	0	0	0	0	0	0.03	0.03	0
	Freds Chen ¹³	350	350	0	0	24	24	0.03	0.03	0	0	0	0	0	0.03	0.03	0
	Fred Fong	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0.00	0.00	0

1. Please describe the policy, system, standard, and structure of the remuneration paid to the independent directors and describe the relevance between the remuneration amount paid and factors, such as their functions, risks, and time commitment.
 In order to improve the remuneration management system of the Directors and Functional Committee members and provide reasonable remuneration to the members of the Board for their participation in the Company's major decision-making and management, the Board of Directors is authorized to set the standards of payment in accordance with Article 24-1 of the Company's Articles of Incorporation and the remuneration standard in the industry regarding the Director's salary and driver allowance. Independent directors are paid monthly with remuneration and allowances for attending Board meetings in person.
 2. The top 5 directors in the table above received the service provided (such as serving as non-employee consultants) to all companies listed in the financial statements in the most recent year. None.
 Note1: Reassigned the representative from Fred Fong to Joseph Wang on 2020.10.26.
 Note2: Reassigned the representative from Lori Hu to Alan Yu on 2020.06.19.
 Note3: Reassigned the representative from Lori Hu to Yu on 2020.06.19.
 Note4: The legal person, Pu Ju Investment Co., Ltd., was dismissed by resolution of the Special Meeting of shareholders on 2020.05.05.
 Note5: The legal person, Pu Ju Investment Co., Ltd., was dismissed by resolution of the Special Meeting of shareholders on 2020.04.30.
 Note6: Reassigned the representative from Lin Wei-Pang to Sung Ching-Yif on 2020.04.30.
 Note7: Reassigned the representative from Lin Wei-Pang to Sung Ching-Yif on 2020.06.01.
 Note8: The legal person, Alpha Networks Inc., was dismissed by resolution of the Special Meeting of shareholders on 2020.06.01.
 Note9: Reassigned the representative from Gary Chen to Lori Hu on 2020.05.05.
 Note10: The legal person, Chien Chin Investment Co., Ltd., was dismissed by resolution of the Special Meeting of shareholders on 2020.06.01.
 Note11: The legal person, Mun-Wei Investment Co., Ltd., was dismissed by resolution of the Special Meeting of shareholders on 2020.03.19.
 Note12: Independent Director, Chung Shyang Fong resigned on 2020.03.19.
 Note13: Independent Director, Freds Chen, was dismissed by resolution of the Special Meeting of shareholders on 2020.06.01.

Table of Remuneration Ranges for the Directors

Range of remuneration to the Directors	Names of the Directors						Remuneration from an invested company other than the Company's subsidiaries or parent company
	Some of the First 4 Item (A+B+C+D)		Some of the first 7 item (A+B+C+D+E+F+G)		Ratio of total remuneration (A+B+C+D) to net income (%)	Remuneration from an invested company other than the Company's subsidiaries or parent company	
	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements			
Less than NT\$1,000,000	The Company John Lee, 3 representatives of Young Syun Investment Co., Ltd., 3 representatives of Pu Ju Investment Co., Ltd., 2 representatives of Gao Ju Investment Co., Ltd., 3 representatives of Alpha Networks Inc., 1 representative of Chien Chin Investment Co., Ltd., Yun-Wai Investment Co., Ltd., Howard Kuo, Chung, Shyang-fon, Richard Lee, Richard Chen, Fred Tsang, Freda Chen	All Companies in Financial Statements John Lee, 3 representatives of Young Syun Investment Co., Ltd., 3 representatives of Pu Ju Investment Co., Ltd., 2 representatives of Gao Ju Investment Co., Ltd., 3 representatives of Alpha Networks Inc., 1 representative of Chien Chin Investment Co., Ltd., Yun-Wai Investment Co., Ltd., Howard Kuo, Chung, Shyang-fon, Richard Lee, Richard Chen, Fred Tsang, Freda Chen	The Company 1 representative of Young Syun Investment Co., Ltd., 3 representatives of Pu Ju Investment Co., Ltd., 2 representatives of Gao Ju Investment Co., Ltd., 3 representatives of Alpha Networks Inc., 1 representative of Chien Chin Investment Co., Ltd., Yun-Wai Investment Co., Ltd., Howard Kuo, Chung, Shyang-fon, Richard Lee, Richard Chen, Fred Tsang, Freda Chen	All Companies in Financial Statements 1 representative of Young Syun Investment Co., Ltd., 3 representatives of Pu Ju Investment Co., Ltd., 2 representatives of Gao Ju Investment Co., Ltd., 3 representatives of Alpha Networks Inc., 1 representative of Chien Chin Investment Co., Ltd., Yun-Wai Investment Co., Ltd., Howard Kuo, Chung, Shyang-fon, Richard Lee, Richard Chen, Fred Tsang, Freda Chen			
NT\$1,000,000 (inclusive) to 2,000,000 (exclusive)	—	—	2 Representatives of Young Syun Investment Co., Ltd., Howard Kuo	2 Representatives of Young Syun Investment Co., Ltd., Howard Kuo			
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—	John Lee	John Lee			
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—	—	—			
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	—	—	—	—			
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—	—	—			
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—	—	—			
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—	—	—			
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—	—	—			
More than NT\$100,000,000	—	—	—	—			
Total	17 individuals	17 individuals	17 individuals	17 individuals		17 individuals	

(2) Supervisor' Remuneration: The Company has established the Audit Committee on 2017.04.28

(3) Remuneration to the President and Vice Presidents

Title	Name	Salary (A)		Pension (B)		Bonus and special fee (C)		Employee bonus (D)			Ratio of total remuneration (A+B+C+D) to net income (%)	Remuneration from an invested company other than the Company's subsidiaries or parent company	
		The Company	All Companies in Financial Statements (Note 3)	The Company	All Companies in Financial Statements (Note 3)	The Company	All Companies in Financial Statements (Note 3)	Cash	Stock	Stock			
		Unit: NT\$ Thousands											
CEO	John Lee Appointed on 2020.07.10												
President	Mark Chen Appointed on 2020.08.11												
Senior Vice President	CJ Chang Appointed on 2020.07.06												
Senior Vice President	Fred Fong Appointed on 2020.07.06												
Vice President	Louis Huang Appointed on 2020.06.16												
Vice President	Shanglin Chung Appointed on 2020.07.01												
Vice President	Rita Huang Appointed on 2020.09.01	26,876	28,167	751	751	6,114	6,114	0	0	0	2.72	2.83	0
Vice President	Eric Chang Appointed on 2020.06.15												
Vice President	Kevin Chang Appointed on 2020.08.24												
CFO	James Chen Appointed on 2020.08.24												
Senior Vice President	Stewe Lin Resigned on 2021.03.23												
Senior Vice President	Evelyn Wang Resigned on 2020.06.15												

Table of Remuneration Ranges for the President and Vice Presidents

Range of remuneration to the President and Vice Presidents	The Company		All Companies in Financial Statements	
	Name of the President and Vice Presidents			
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) to 2,000,000 (exclusive)		Rita Huang, Shanglin Chung, Joanne Chen		Rita Huang, Shanglin Chung, Joanne Chen
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		Mark Chen, C.J. Chang, Fred Fong, Louis Huang, Steve Lin, Evelyn Wang		Mark Chen, C.J. Chang, Fred Fong, Louis Huang, Steve Lin, Evelyn Wang
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)		John Lee, GK Lee, Kevin Chung, ML Jean		John Lee, GK Lee, Kevin Chung, ML Jean
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
More than NT\$100,000,000				
Total		13 individuals		13 individuals

Top Five Managerial Officers with the Highest Remuneration

Title	Name	Salary (A)		Pension (B)		Bonus and special fee (C)		Employee bonus (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from an invested company other than subsidiaries of the Company or the parent company
		All Companies in Financial Statements		All Companies in Financial Statements		All Companies in Financial Statements		All Companies in Financial Statements		The Company		The Company		
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	Cash	Stock	Cash	Stock	The Company	All Companies in Financial Statements	
Assistant Vice President	Zhen Wu	2,616	2,616	108	108	2,104	2,104	0	0	0	0	0.39	0.39	0
Vice President	Kevin Chung	2,523	2,523	108	108	2,074	2,074	0	0	0	0	0.38	0.38	0
Vice President	GK Lee	3,263	3,263	108	108	651	651	0	0	0	0	0.32	0.32	0
Vice President	ML Jean	3,278	3,278	108	108	554	554	0	0	0	0	0.32	0.32	0
CEO	John Lee	3,192	3,192	0	0	540	540	0	0	0	0	0.30	0.30	0

Unit: NT\$ Thousands

Managerial Officers Who Distribute Remuneration to Employees and the Status:

2021.04.20; Unit : NT\$ Thousands

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Managerial Officers	CEO	John Lee Appointed on 2020.07.10	0	0	0	0
	President	Mark Chen Appointed on 2020.08.11				
	Senior Vice President	CJ Chang Appointed on 2020.07.06				
	Senior Vice President	Fred Fong Appointed on 2020.07.06				
	Vice President	Louis Huang Appointed on 2020.06.16				
	Vice President	Shanglin Chung Appointed on 2020.07.01				
	Vice President	Rita Huang Appointed on 2020.09.01				
	Vice President	GK Lee				
	Vice President	Kevin Chung				
	Vice President	ML Jean				
	Vice President	Sara Cheng Appointed on 2021.03.02				
	Assitant Vice President	Ziva Wu				
	Assitant Vice President	Allen Cheng Appointed on 2021.01.05				
	CFO	Joanne Chen Appointed on 2020.08.24				
	Accounting Supervisor	Claire Chou Appointed on 2020.08.11				
	Senior Vice President	Evelyn Wang resigned on 2020.06.15				
	Senior Vice President	Steve Lin Resigned on 2021.03.23				
	Vice President	Anderson Wu Resigned on 2020.08.31				
Accounting Supervisor	Jane Yu Resigned on 2020.06.15					

Note: On 2021.03.17, the Board of Directors resolved employees' compensation was NT\$46,800,000.

(IV) The analysis of the ratio of the total remuneration paid to the Company's Directors, President, and Vice Presidents by the Company and all companies listed in the consolidated statements in the most recent two years to net income, and the relevance between the remuneration payment policy, standard and package, and procedure for determining remuneration and business performance and future risk shall be compared and stated:

1. Policy, standard, and package for payment of remuneration, as well as the procedure for determining remuneration, and its relevance to business performance and future risk exposure:
 - A. Directors: The Company shall distribute no more than 1% of the profit for the year as remuneration to Directors based on "Compensation Policy to the Directors and Functional Committee" and "Regulations for performance evaluation of the Board of Directors". Directors' compensation shall take into consideration standards in the same industry, the Director's contribution, and the Company's performance.

- B. President and Vice Presidents: Compensation for the managerial officers is handled in accordance with the Company's "Performance Management Guidelines" and takes into consideration the standards in the same industry, the scope of the position, individual performance achievement rate, and the degree of contribution to achieving the Company's targets. After evaluation and approval by Remuneration Committee, the proposal is sent to the Board of Directors for resolution.
- C. Future risks: The remuneration system is reviewed as needed to reflect actual business performance and regulations and to maintain the balance between sustainable development and risk management.

2. Ratio of total remuneration paid to the Company's Directors, President, and Vice Presidents in the most recent two years to the net income after tax:

Title	Ratio of total remuneration to net income after tax (%)			
	2020		2019	
	The Company (%)	Consolidated statements (%)	The Company (%)	Consolidated statements (%)
Director	0.30	0.29	(1.61)	(1.61)
Supervisor	0	0	0	0
President and Vice Presidents	2.72	2.67	(5.58)	(5.91)

Note: The Company has established the Audit Committee on 2017.04.28

III. Implementation of Corporate Governance

(I) Board of Directors

The Company completed the 12th re-election of Directors at the Annual General Meeting of Shareholders on 2020.06.15. The Company's Board of Directors held a total of 12 meetings in 2020 (4 meetings of the 11th Board of Directors and 5 meetings of the 12th Board of Directors) and 2021 (3 meetings) up to the publication date of this Annual Report. The attendance of Directors is as follows:

Title	Name	Number of times should attend (A)	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	John Lee	12	10	0	83%	Note1
Director	Young Syun Investment Co., Ltd. Representative: Steve Lin	5	5	0	100%	Note2
	Young Syun Investment Co., Ltd. Representative: Fred Fong	4	4	0	100%	Note1
	Young Syun Investment Co., Ltd. Representative: Joseph Wang	4	4	0	100%	Note3
	Young Syun Investment Co., Ltd. Representative: Victor Kuo	3	2	1	67%	Note4
Director	Pu Ju Investment Co., Ltd. Representative: David Tai	8	6	2	80%	Note2
	Pu Ju Investment Co., Ltd. Representative: Alan Yu	7	7	0	100%	Note5
	Pu Ju Investment Co., Ltd. Representative: Lori Hu	1	0	1	0.0%	Note2
Director	Gao Ju Investment Co., Ltd. Representative: Lori Hu	2	2	0	100%	Note6
	Gao Ju Investment Co., Ltd. Representative: Ku, Chi-Tung	2	2	0	100%	Note7
Director	Alpha Networks Inc. Representative: Lin, Yu-Chin	1	1	0	100%	Note8
	Alpha Networks Inc. Representative: Lin, Wen-Peng	1	1	0	100%	Note9
	Alpha Networks Inc. Representative: Sung, Cheng-Yi	2	2	0	100%	Note7
Director	Chien Chin Investment Co., Ltd. Representative: Gary Chien	2	2	0	100%	Note10
	Chien Chin Investment Co., Ltd. Representative: Lori Hu	2	2	0	100%	Note7
Director	Yun-Wei Investment Co., Ltd. Representative: Howard Kao	4	4	0	100%	Note7
Director	Howard Kao	8	8	0	100%	Note2
Independent Director	Shyang-Fong Chung	12	9	0	77.7%	Note1
Independent Director	Richard Lee	8	8	0	100%	Note2
Independent Director	Richard Chen	8	8	0	100%	Note2
Independent Director	Fred Fong	4	2	0	50%	Note11
Independent Director	Freda Chen	4	4	0	100%	Note7
Note1: Re-elected as a Director for the 12 th term of the board on 2020.06.15						
Note2: New director for the 12 th term of the board on 2020.06.15						

Note3: Reassigned the representative from Fred Fong to Joseph Wang on 2020.10.26.

Note4: Reassigned the representative from Steve Lin to Victor Kuo on 2021.02.02.

Note5: Reassigned the representative from Lori Hu to Alan Yu on 2020.06.19.

Note6: Reassigned the representative from Lori Hu to Ku, Chi-Tung on 2020.05.05.

Note7: Dismissed by resolution of the Special Meeting of shareholders on 2020.06.01.

Note8: Reassigned the representative from Lin, Yu-Chin to Lin, Wen-Peng on 2020.04.07.

Note9: Reassigned the representative from Lin, Wen-Peng to Sung, Cheng-Yi on 2020.04.30.

Note10: Reassigned the representative from Gary Chien to Lori Hu on 2020.05.05.

Note11: Resigned as the Independent Director for the 11th term of the board on 2020.06.15

Other matters:

1. If any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Independent Directors' opinions and the Company's handling of such opinions shall be specified:

(1) Items listed in Article 14-3 of the Securities and Exchange Act:

Date (Session)	Session	Proposals	Adverse or qualified opinions of independent directors	Subsequent Actions
2020.08.11	The 3 rd session of the 12 th term of the board	The appointment of the Chief Financial Officer	None	None
		The appointment of the Accounting Supervisor	None	None

(2) In addition to the matters, other motions resolved by the Board of Directors about which Independent Directors have a dissenting opinion or qualified opinion, which recorded in minutes or a written statement:

Date (Session)	Session	Proposals	Adverse or qualified opinions of independent directors	Subsequent Actions
2021.03.17	The 7 th session of the 12 th term of the board	Proposal of Capital Reduction	Independent Director, Chung, Siang-Fong held adverse opinion on this motion and recommended to think carefully about the use of funds.	The Company complied with the resolutions of the Board of Directors and disclosed it on the MOPS accordingly.
		2020 distribution results of remuneration to employees and Directors	Independent Director, Chung, Siang-Fong did not participate in the voting and did not express opinions.	
2020.04.07	The 16 th session of the 11 th term of the board	The proposal for change of the time and place of the Company's 2020 General Shareholders' Meeting.	Independent Directors, Fred Fong and Chung, Siang-Fong were against the	The Company complied with the resolutions of the Board of

			proposal.	Directors and disclosed it on the MOPS accordingly.
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2. Director recusals due to conflicts of interest; name of directors, proposal, reason for avoidance, and participation in vote or not shall be described:

Meeting Date (term of meeting)	Proposals	Director Recused	Reason for Recusal	Voting Results
2020.08.11 (The 3 rd session of the 12 th term of the board)	Remuneration standard for new managerial officers for 2020	John Lee, Steve Lin, Fred Fong	The directors are also managers.	With the exception of managerial officers of business group remuneration standard, the remainder were approved by all Directors present.
2020.10.19 (The 4 th session of the 12 th term of the board)	Supplementary explanation of Remuneration standard for new managerial officers	Steve Lin, Fred Fong	The directors are also managers.	The motion will be discussed at the meeting of Compensation Committee and reported to the Board of Directors.
2020.11.10 (The 5 th session of the 12 th term of the board)	Supplementary explanation of Remuneration standard for new managerial officers	Steve Lin	The director is also manager.	Approved by all Directors present.
2020.03.17 (The 7 th session of the 12 th term of the board)	Performance bonus to Chairman	John Lee	Personal bonus	The acting chairman consulted on-site directors who all agreed to keep the proposal.
	Release of non-competition restrictions for Directors	John Lee, Joseph Wang, Victor Kuo, David Tai, Howard Chung, Siang-Fong, Richard Lee, Richard Chen	Serves in other company positions concurrently	The directors separately explained their own interests and individually recused during the discussion and approval of the proposal by the other members present.
2020.03.30 (The 8 th session of the 12 th term of the board)	Release of non-competition restrictions for Directors	John Lee, Joseph Wang, Victor Kuo, David Tai, Howard Chung, Siang-Fong, Richard Lee, Richard Chen, Chu, Chun-Hsiung	Serves in other company positions concurrently	The directors separately explained their own interests and individually recused during the discussion and approval of the proposal by the other members present.

3. Cycle and period, scope, method, and content of the Self-Evaluation of the Board of Directors:

According to the Company's "Regulation of Self-Evaluation of the Board of Directors", it was resolved the assessment results on the performance of Board of Directors at the meeting on 2021.03.17. The overall average score of board performance self-evaluation is 4.86 points (out of 5 points); the overall average score of individual directors' performance self-evaluation is 4.65 points (out of 5 points), above information shows that the board is working well. In addition, the Audit Committee and Remuneration Committee performance self-evaluation results, members are both satisfied with each measurement item, the details are below:

Evaluation Periods	Evaluation Scope	Evaluation Method	Evaluation Content
2020.06.15 2020.12.31 (Due to re-election of directors)	1.Evaluation of the performance of the Board of Directors 2.Evaluation of the performance of Board members 3.Evaluation of the performance of the Audit Committee 4.Evaluation of the performance of the Remuneration Committee	Internal evaluation	<p>Evaluation of the performance of the Board of Directors covers five major aspects:</p> <ol style="list-style-type: none"> 1. Degree of participation in the Company's operations 2. Improvement in the quality of decision making of the Board of Directors 3. Composition and structure of the Board of Directors 4. Election and continuous education of Directors 5. Internal control <p>Evaluation of the performance of Board members covers six major aspects:</p> <ol style="list-style-type: none"> 1. Control over the Company's goals and tasks 2. Awareness of the Directors' duties 3. Degree of participation in the Company's operations 4. Internal relationship management and communication 5. Directors' professional skills and continuing education 6. Internal control <p>Evaluation of the performance of the functional committees covers:</p> <ol style="list-style-type: none"> 1. Degree of participation in the Company's operations 2. Awareness of the duties of each functional committee 3. Improvement of the decision-making quality of each functional committee 4. Composition of each functional committee and selection members 5. Internal control

4. Targets for strengthening the functions of the Board of Directors in the current year and the most recent year (such as establishing an audit committee and enhancing information transparency) and evaluation of such implementation:

The Company established the Audit Committee on 2017.04.28.

(II) Operations of the Audit Committee

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company. The Audit Committee is responsible to review the following major matters:

- Financial reports
- Auditing and accounting policies and procedures
- Internal control systems and including related policies and procedures
- Material asset or derivatives transactions
- Material lending funds, endorsements or guarantees
- Offering or issuance of any equity-type securities
- Derivatives and cash investments
- Legal compliance
- Related-party transactions and potential conflicts of interests involving executive officers and directors
- Ombudsman reports
- Fraud prevention and investigation reports
- Corporate IT security
- Performance, independence, qualification of independent auditor
- Hiring or dismissal of an attesting CPA, or the compensation given thereto
- Appointment or discharge of financial, accounting, or internal auditing officers
- Assessment of Committee Charter and fulfillment of Audit Committee duties
- Assessment of the Committee's performance, etc.

The Company completed the re-election of Directors for the 12th term of the board at the Regular Meeting of Shareholders on 2020.06.15. The Company's Audit Committee held a total of 8 meetings in 2020 (2 meetings of the 1st Audit Committee and 4 meetings of the 2nd Audit Committee) and 2021 (2 meetings) up to the publication date of this Annual Report. The attendance of Independent Directors is as follows:

Title	Name	Number of times should attend (A)	Attendance in person (B)	By proxy	Attendance rate (B/A)	Remarks
Independent Director	Richard Chen	6	6	0	100%	Note 1
Independent Director	Richard Lee	6	6	0	100%	Note 1
Independent Director	Shyang-Fong Chung	8	8	0	100%	Note 2
Independent Director	Fred Fong	2	2	0	100%	Note 3
Independent Director	Freda Chen	2	2	0	100%	Note 4
Note1: New Independent Director for the 12 th term of the board on 2020.06.15 Note2: Resigned as the Independent Director for the 12 th term of the board on 2021.03.19 Note3: Resigned as the Independent Director for the 11 th term of the board on 2020.06.15 Note4: Dismissed by resolution of the Special Meeting of shareholders on 2020.06.01						

Other matters:

I. (I) Items listed in Article 14-5 of the Securities and Exchange Act:

Meeting date (term of meeting)	Proposals	Opinions of all Independent Directors	The Company's handling of these opinions
2020.03.16 (The 12 th session of the 1 st term of the Audit Committee)	<ol style="list-style-type: none"> 1. 2019 financial report and business report 2. Modification of the Articles of Incorporation 3. 2019 statement of internal control system 4. The Company's internal auditing officer appointment 5. The release of non-competition restrictions for Directors 	Approved by all Independent Directors.	The motions were discussed at the meeting of Board of Directors and approved by all Directors present.
2020.05.04 (The 13 th session of the 1 st term of the Audit Committee)	2020 Professional fee for service of CPAs	Approved by all Independent Directors.	The motions were discussed at the meeting of Board of Directors and approved by all Directors present.
2020.08.11 (The 2 nd session of the 2 nd term of the Audit Committee)	<ol style="list-style-type: none"> 1. 2020 Q2 consolidated financial report 2. The Company's CFO appointment 3. The Company's Accounting officer appointment 	Approved by all Independent Directors.	The motions were discussed at the meeting of Board of Directors and approved by all Directors present.
2020.11.10 (The 4 th session of the 2 nd term of the Audit Committee)	<ol style="list-style-type: none"> 1. The proposal of 2021 internal audit plan 2. The proposal of cash capital increase beyond NT\$70,000M for Yeo-Tai Investment Inc. 	Approved by all Independent Directors.	The motions were discussed at the meeting of Board of Directors and approved by all Directors present.
2021.02.02 (The 5 th session of the 2 nd term of the Audit Committee)	The proposal to participate in the subscription of common shares via private placement by Cameo Communications, Inc.	Approved by all Independent Directors.	The motion was discussed at the meeting of Board of Directors and approved by all Directors present.
2021.03.17 (The 6 th session of the 2 nd term of the Audit Committee)	<ol style="list-style-type: none"> 1. 2020 statement of internal control system 2. 2020 financial report and business report 	Approved by all Independent Directors.	The motions were discussed at the meeting of Board of Directors and approved by all Directors present.
	3. Proposal of Capital Reduction	The Independent Director, Chung, Siang-Fong held adverse opinion on this motion and approved by remaining members.	The motions were discussed at the meeting of Board of Directors and approved by the majority. We also disclosed it on the MOPS accordingly.
2021.03.30	The release of non-competition	Approved by all	The motions were

(The 7 th session of the 2 nd term of the Audit Committee)	restrictions for Directors	Independent Directors.	discussed at the meeting of Board of Directors and approved by all Directors present.
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(II) Any resolution disapproved by the Audit Committee but approved by more than two-thirds of all Directors: None.

II. Incidents where independent directors must implement recusal due to conflicts of interest:

Meeting date (term of meeting)	Proposals	Director Recused	Reason for Recusal	Voting Results
2021.03.30 (The 7 th session of the 2 nd term of the Audit Committee)	The release of non-competition restrictions for Directors	Richard Lee, Richard Chen	Serve in other company positions concurrently	Approved by all Independent Directors.

III. Communication among Independent Directors, internal audit supervisors, and CPAs (including material matters, methods, and results of the Company's finance and operations):

(I) The Company's internal audit supervisor regularly reports to the members of the Audit Committee on the performance of the Company's annual audit plan as well as improvement and tracking of internal control deficiencies. Meanwhile, the internal audit supervisor submits an audit report and deficiencies tracking report for the previous month before the end of each month. In the event of a major abnormal incident, the internal audit supervisor will immediately report to the members of the Audit Committee. There was no such special situation in 2020, and the communication between the Company's Audit Committee and the internal audit supervisor is in good condition.

(II) The Company's CPAs report the audit or review results of the quarterly financial statement or and other matters required by law at the quarterly Audit Committee meeting. In the event of a special circumstance, the CPAs will also report to the Audit Committee members immediately. There was no such special situation in 2020, and the communication between the Company's Audit Committee and the CPAs is in good condition.

(III) Communication between Independent Directors and the internal audit supervisor, and CPAs:

(1) Communication between Independent Directors and CPAs:

Date/session of meeting	Communication focus	Results
2020.03.16 12 th meeting of the 1 st Audit Committee	CPAs' reports on 2019 individual and consolidated financial statements	The Independent Directors have no objection at the meeting.
2020.05.04 13 th meeting of the 1 st Audit Committee	1. Assessment of the independence of CPAs regularly 2. CPAs' reports on 2020 Q1 consolidated financial statements	
2020.08.11 2 nd meeting of the 2 nd Audit Committee	CPAs' reports on 2020 Q2 consolidated financial statements	
2020.11.10 4 th meeting of the 2 nd Audit Committee	CPAs' reports on 2020 Q3 consolidated financial statements	

2021.03.17 6 th meeting of the 2 nd Audit Committee	CPAs' reports on 2020 individual and consolidated financial statements	
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(2) Communication between Independent Directors and the internal audit supervisor:

Date/session of meeting	Communication focus	Results
2020.03.16 12 th meeting of the 1 st Audit Committee	1. Report on the implementation of the 2019 Q4 audit plan 2. The 2019 Internal Control System Statement	The Independent Directors have no objections at the meeting.
2020.03.18 15 th meeting of the 11 th Board of Directors		
2020.05.04 13 th meeting of the 1 st Audit Committee	Report on the implementation of the 2020 Q1 audit plan	
2020.05.05 17 th meeting of the 11 th Board of Directors		
2020.08.11 2 nd meeting of the 2 nd Audit Committee	Report on the implementation of the 2020 Q2 audit plan	
2020.08.11 3 rd meeting of the 12 th Board of Directors		
2020.10.19 3 rd meeting of the 2 nd Audit Committee	Report on the implementation of the 2019 Q3 audit plan	
2020.10.19 4 th meeting of the 12 th Board of Directors		
2020.11.10 4 th meeting of the 2 nd Audit Committee	2021 annual audit plan.	
2020.11.10 5 th meeting of the 12 th Board of Directors		
2021.03.17 6 th meeting of the 2 nd Audit Committee	1. Report on the implementation of the 2020 Q4 audit plan 2. The 2020 Internal Control System Statement	
2021.03.17 7 th meeting of the 12 th Board of Directors		

(III) Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

Evaluation Item	Implementation status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
1	✓		The Company has established and disclosed the Corporate Governance Best Practice Principles on the official website and MOPS.
2. Shareholding structure & shareholders' rights	✓		The Company has 1. spokesperson, 2. shareholder service unit, 3. company website, 4. investor conference, and 5. shareholder service agency, to deal with shareholders' suggestions or disputes.
	✓		The Company's shareholder services unit shall keep abreast of changes in the shareholdings of major shareholders and declare the changes in the shareholdings of internal shareholders monthly in accordance with the laws.
	✓		The Company has established relevant guidelines in the internal control system, to set up an appropriate risk control mechanism and the firewall.

	<p>The Company has established “Guidelines for Materiality Management and Prevention of Insider Trade” and regulate insiders using undisclosed information to buy and sell securities.</p>		<p>✓</p>	<p>No significant difference.</p>
	<p>The Company has set the diversity policy of the Board of Directors based on the Corporate Governance Best Principles. The composition of the Board of Directors shall be determined by taking diversity into consideration.</p>		<p>✓</p>	<p>No significant difference.</p>
	<p>On 2021.02.02, the Company has created the ESG committee for promoting corporate social responsibility and corporate governance to achieve the goal of sustainable operations.</p>		<p>✓</p>	<p>No significant difference.</p>
	<p>The Company has established “Board Performance Evaluation Procedures” at 4th meeting of the 12th Board of Directors on 2020.10.19 and resolved the assessment results on the performance at the meeting on 2021.03.17.</p>		<p>✓</p>	<p>No significant difference.</p>
	<p>The Audit Committee shall assess once a year the independence of the CPAs. The assessment report on the independence and competency of the CPAs has been submitted to Audit Committee on 2021.03.17 and was approved by Board of Directors on the same date. The assessment content is as follows: 1. Whether the CPAs have remained unchanged for seven years, up till the latest audit?</p>		<p>✓</p>	<p>No significant difference.</p>
<p>3. Composition and responsibilities of Board of Directors</p>				

	<ol style="list-style-type: none"> 2. Whether the CPAs have significant financial interests in the Company? 3. Whether the CPAs have improper relationships with the Company? 4. Whether the assistants of CPAs have failed to be honest, fair and independent? 5. Whether the CPAs have audited the financial statements of companies where they have served during the previous two years? 6. Whether the CPAs allow others to use their credentials? 7. Whether the CPAs own shares of the Company or its associates? 8. Whether there is any financing between the CPAs and the Company or its associates? 9. Whether the CPAs have joint investments or profit-sharing agreements with the Company or its associates? 10. Whether the CPAs do regular works for the Company or its associates and receive fixed salaries? 11. Whether the CPAs are involved with decision-making management functions of the Company or its associates? 12. Whether the CPAs engages in businesses which may deprive them of audit independence? 13. Whether the CPAs are spouses, lineal relatives, relatives by marriage, or relatives within the second degree of kinship to managerial officers of the Company? 14. Whether the CPAs received any commissions 		

<p>7. Information disclosure</p>	<p>Has the Company established a website to disclose information on financial operations and corporate governance?</p> <p>Does the Company have other information disclosure channels (such as setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?</p> <p>Does the Company publish and declare its annual financial report within two months after the end of a fiscal year, and publish and declare its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p> <p>Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>The Company has set up a website dedicated to investors (http://ir.dlink.com.tw) to disclose relevant information at any time and has publicly announced and declared the Company's overall situation and various financial and business information at the MOPS in accordance with the regulations of the competent authority.</p> <p>The Company's website is in both Chinese and English versions, the contents of which are updated on a regular basis; the information publicly announced is declared all through the Company's spokesperson system, and the Company has designated personnel to disclose the Company's information on MOPS in accordance with the laws.</p> <p>The Company announces the financial report of the first to third quarters and the operating conditions of each month before the deadline stipulated by the law.</p> <p>The Company discloses the material information on its website, the investor relations website, and MOPS at any time, to assists all shareholders in better understanding the Company's operating strategies and governance operations through the transparent system.</p>	<p>No significant difference.</p> <p>No significant difference.</p> <p>No significant difference.</p> <p>No significant difference.</p>
<p>8</p>		<p>✓</p>		<p>No significant difference.</p> <p>No significant difference.</p>

9. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out:

In the future, the Company will continue its efforts to continuously implement corporate governance and enhance competitiveness through effective operations of the Board in 2021.

● The improvements in recent year:

1. The Company appointed a Corporate Governance officer.
2. The Company established “Board of Directors Performance Evaluation” and the performance results were approved by the Board.
3. The Company formulated “Risk Management Policy and Procedures” at the 9th meeting for the 12th term of Board of Directors.

● Priority matters and actions to be taken in 2021:

1. Optimize the investor section on the Company’s website and actively engage in ESG.
2. In compliance with Financial Supervisory Commission’s regulation, the Company shall continue to strengthen its corporate governance and information disclosure.

(IV) Organization, responsibilities, and operations of the Remuneration Committee

(1) Information of the members of Remuneration Committee

Identity (Note 2)	Qualification	Meets one of the following professional qualifications, with at least five years of work experience		Independence criteria (Note3)										Number of other public companies where the individual concurrently serves as a remunerati on committee member	Note		
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9			10	
Independent Director	Richard Lee		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Chung Shyang-Fong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Note1
Independent Director	Richard Chen		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Other	Chien Yang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	
Other	Shu-Fen Wang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: Independent Director, Chung, Siang-Fong resigned on 2021.03.19.

Note 2: For category of identity, please identify whether the person is a Director, Independent Director, or other.

Note 3: For any committee member who fulfills the relevant condition(s) for two fiscal years before being appointed or during the term of duty, please check in the field next to the corresponding conditions.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (however, if the independent directors engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this

- Act or local laws and regulations, this requirement shall not apply).
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
 - (4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
 - (5) Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the Company's total issued shares, who are among the top five shareholders, or who designate its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
 - (6) Not a director, supervisor, or employee of another company or institution whose majority of director seats or voting rights are held by the same person (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
 - (7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company are the same person or are spouses (however, if the person is an independent director who serves concurrently in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
 - (8) Not a director (managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (however, if the specific company or institution holds more than 20% and no more than 50% of the total issued shares of the Company and if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
 - (9) Not a professional individual who, or an owner, partner, director (managing director), supervisor (managing supervisor), or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
 - (10) Not a person meeting any conditions defined in Article 30 of the Company Act.

(2) Duties of Remuneration Committee:

The Remuneration Committee is operated in accordance with the "Remuneration Committee Charter". The main duties of this committee are described as follows:

1. Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers.
2. Regularly review and stipulate the salaries and remunerations of directors and managerial officers.
3. Review and recommend the Board's remuneration package for long-term incentive and talent retention.

(3) Operations of Remuneration Committee:

1. The Remuneration Committee is composed of five members.
2. Term of office of the 4th Committee: From 2020.07.10 to 2023.06.14, the Remuneration Committee held 5 meetings (A) in the most recent year 2020.07.10, 2020.07.24, 2020.09.28, 2020.11.10 and 2021.03.17 respectively. The attendance of the members are as follows:

Title	Name	Attendance in person (B)	By proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Richard Lee	5	0	100	
Member	Shyang-Fong Chung	5	0	100	
Member	Richard Chen	5	0	100	
Member	Chien Yang	4	1	75	
Member	Shu-Fen Wang	4	1	75	

Other matters:

- I. If the Board of Directors does not adopt or amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason):
 - (I) Date of Board of Directors meeting: 2020.08.11
Session: 3rd meeting of the 12th Board of Directors
Motion: Remuneration standard for new managerial officers for 2020
Resolution results:
 1. Except for the remuneration standard of 3 managers of the Business Group, the remainder were adopted.
 2. Supplementary explanation of the establishment and division of work of the managers and confirm whether comply with Corporate Governance Best Practice Principles.
 3. The manager's performance appraisal specification will be reported to the Board of Directors.
 - (II) Date of Board of Directors meeting: 2020.10.19
Session: 4th meeting of the 12th Board of Directors
Motion: Supplementary explanation of Remuneration standard for new managerial officers
Resolution results: The motion will be discussed at the meeting of Compensation Committee and reported to the Board of Directors.

II. If the resolutions to which the members of the Remuneration Committee have a dissenting or qualified opinion are recorded or written, please state the date and session of the meeting of the Remuneration Committee, proposals, opinions of the members, and handling of the opinions: None.

3. The discussion items and resolution results of the Remuneration Committee in the most recent year, and the Company's handling of members' opinions:

Remuneration Committee Date and Session	Proposals	Resolution	Company's response regarding the Remuneration Committee's opinions
2020.07.10 1 st meeting of the 4 th term	Election of Convener of the 4 th Remuneration Committee	Approved by all member present	None
2020.07.24 2 nd meeting of the 4 th term	1. Discussed the amendments of the Remuneration Committee Charter	Approved by all members present	None
	2. Remuneration standard for new managers 3. Discussed formulating "Regulation of Self-Evaluation of the Board of Directors"	After the Directors' and managers' performance evaluation results and remuneration were reviewed, the two proposals were approved by all members.	None
2020.09.28 3 rd meeting of the 4 th term	1. Supplementary explanation of remuneration standard for new managers 2. Discussed formulating "Board of Directors Performance Evaluation"	After the Directors' and managers' performance evaluation results and remuneration were reviewed, the two proposals were approved by all members.	None
	3. Discussed the amendments of "Code of Ethical Conduct"	Approved by all members present	None
2020.11.10 4 th meeting of the 4 th term	Supplementary explanation of remuneration standard for new manager of Business Group for 2020	After the managers' performance evaluation results and remuneration were reviewed, the proposal was approved by all members.	None
2021.03.17 5 th meeting of the 4 th term	1. Remuneration standard for 2021 Chief Software Technology Officer 2. Remuneration standard and KPI for manager of business group 3. Discussed the adjustment of salary of the President 4. Proposal for 2020 employees' and Directors' remuneration distribution	After the Directors' and managers' performance evaluation results and remuneration were reviewed, the proposals were approved by all members.	None

IV) Implementation of corporate social responsibility, deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof		Implementation status		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof																							
Evaluation item	Yes	No	Summary																								
<p>1 Does the Company conduct risk assessments on environmental, society and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies based on the principle of materiality?</p> <p>Does the Company establish a dedicated (or part-time) unit for promoting corporate social responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level?</p> <p>Does the unit report the progress of such activities to the Board of Directors?</p>	✓		The Company has formulated "Risk Management Policy and Procedures" at the meeting of the Board of Directors on 2021.05.04. The ESG committee follows the principle of materiality to conduct risk assessment on environmental, social, economy, and scientific and technological innovation, establishes risk management policy, deals with risk control-related issues and reports to the Board of Directors once a year.	No significant difference.																							
	<p>2 Has the Company, based on the nature of its industry, established a suitable Environment Management System (EMS)?</p> <p>Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?</p>	✓		The Company's environmental management system follows the ISO-14001, ISO-9001, double certification and promotes in accordance with the environment policy. We are committed to comply with laws and other requirements, continue to reduce the impact on the environment, promote green products, save energy and cherish resources, prevent environmental pollution. We also adhere to the spirit of sustainable operation, require environmental protection quality, and actively educate employees to formulate environmental protection policies, promptly and properly handle internal and external opinions and responses related to environmental protection.	No significant difference.																						
<p>3. Environmental issues</p> <p>Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken relevant countermeasures?</p> <p>Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies regarding energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?</p>	✓		The Company has created the D-Link Green Program to reduce our carbon footprint, and gradually use more eco-friendly materials to create safer products and production processes, to effectively reduce the impact on the environment.	No significant difference.																							
				The Company identifies two major risks caused by climate change such as the increase in the cost of electricity and energy and the carbon tax. We have continued to implement measures, including energy management in major operating bases, energy efficiency improvement, as well as implementation of low-carbon procurement and low-carbon transportation programs. Through the quantitative disclosure of environmental information input and output, we can restore the record of our outsourced electric energy and scale usage. Long-term information recording and disclosure will help us to review whether the environmental measures in the country have initially achieved our set goals.	No significant difference.																						
			The Company has developed an energy-saving plan for the future. For instance, D-Link Taipei Headquarter will be completely replaced with energy-efficient LED lights, with an estimated 2.5% savings in electricity consumption in 2016 as the base year. In the next 3 years, the building air conditioning improvement plan will be carried out, which is expected to save an additional 5% of electricity consumption. For the Company's GHG emissions, water consumption and waste generation, please refer to the table below:	No significant difference.																							
			<p>1. GHG emissions: (Unit: ton CO2e)</p> <table border="1"> <thead> <tr> <th>Regulations or international standards</th> <th>Item</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td rowspan="2">ISO 14064-1</td> <td>Scope1</td> <td>203.18</td> <td>201.32</td> </tr> <tr> <td>Scope2</td> <td>1,577.62</td> <td>1,583.12</td> </tr> <tr> <td colspan="4">(0.509/kgCO2e/kWh)</td> </tr> </tbody> </table> <p>2. Water consumption: (Unit: m³)</p> <table border="1"> <thead> <tr> <th>Regulations or international standards</th> <th>Item</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Water Pollution Control Act</td> <td>Domestic Effluents</td> <td>11,138</td> <td>12,369</td> </tr> </tbody> </table> <p>3. Waste generation: (Unit: ton)</p>	Regulations or international standards	Item	2019	2020	ISO 14064-1	Scope1	203.18	201.32	Scope2	1,577.62	1,583.12	(0.509/kgCO2e/kWh)				Regulations or international standards	Item	2019	2020	Water Pollution Control Act	Domestic Effluents	11,138	12,369	No significant difference.
Regulations or international standards	Item	2019	2020																								
ISO 14064-1	Scope1	203.18	201.32																								
	Scope2	1,577.62	1,583.12																								
(0.509/kgCO2e/kWh)																											
Regulations or international standards	Item	2019	2020																								
Water Pollution Control Act	Domestic Effluents	11,138	12,369																								

		Regulations or International standards	Item		2020	
			General waste consumption	13.85		
		Waste Disposal Act				
	✓	Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	The Company and its subsidiaries comply with the relevant local laws and regulations of each operating location, and abide by the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work, as the ultimate guiding principles of our global employee rights.	No significant difference.		
	✓	Has the Company established and offered proper employee benefits (including remuneration, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	The Company provides employees with reasonable salaries and benefits, and it is clearly stated in The Company's Articles of Incorporation that if there is a profit for the current year, the 1% to 15% of the profit of the current year shall be distributed to employees. Furthermore, employee benefit measures are in line with or superior to local laws and regulation, and the items are as follow: 1. Flexitime 2. Employees' rest areas, such as coffee shop 3. Various subsidies and cash gifts 4. Various social club activities.	No significant difference.		
	✓	Has the Company provided employees with safe and healthy work environment as well as conducted regular classes on health and safety?	The Company provides employees with a comfortable office and work environment and spares no effort to improve the work environment. By strictly abiding by occupational safety regulations and high standards of safe working conditions, the Company has raised the standards to enhance overall occupational safety performance.	No significant difference.		
	✓	Has the Company established effective career and competence development and training programs?	The Company relies on long-term talent adaptive learning and development for its sustainable operation. The Company plans and arranges on-the-job training and in-house training courses for its employees at different work stages according to their different attributes, while arranging relevant training courses at external professional institutions for employees based on their job requirements and professional skills of each unit, so that their professional skills and other functions can continue to develop.	No significant difference.		
	✓	Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established relevant consumer protection policies and grievance procedures?	The Company's design and R&D team follows EU environmental standards, plans for compliance with EU RoHS, REACH, and abides by the RoHS' restriction on hazardous substances, and formulates relevant procedures to protect stakeholders' interests.	No significant difference.		
	✓	Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights and supervised their compliance?	The Company's requirements for suppliers' integrity and honesty have been included in the contracts between the parties, and the Company may immediately cancel or terminate the contract if any supplier has engaged in any illegal conduct.	No significant difference.		
	✓	Does the Company, following internationally recognized guidelines, prepare and publish reports, such as its Corporate Social Responsibility report, to disclose its non-financial information? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?	The Company's CSR report is prepared in accordance with the new GRI Standards issued by the Global Reporting Initiative. In the future, the Company plans to invite a third-party verification institution to verify the report.	No significant difference.		
		5				
		6. If the Company has established the Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the Principles and their implementation:				
		The Company has implemented the internal control system and relevant supervision measures in accordance with the spirit of the Corporate Social Responsibility Best Practice Principles. No discrepancy is found.				
		7. Other important information to facilitate a better understanding of the Company's Corporate Social Responsibility practices:				
		Please refer to the "Corporate Social Responsibility Section" of the Company's official website (http://www.dlinktw.com.tw/about/dlink/1).				

4. Social issues

Implementation status			Description	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
Item	Yes	No		
1. Establishment of ethical corporate management policies and programs	Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓	The Company has established the Ethical Corporate Management Best Practice Principles (in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies) and the Code of Conduct, which are applicable to the Company, its subsidiaries, business group, and organizations. The Company complies with the laws and ethics while investigating compliance and keeping records accordingly.	No significant difference.
	Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓	The Company has established the Code of Conduct for employees and various rewards and disciplinary actions and formulated the "Management Procedures for Giving and Accepting Gifts," which clearly states that the behavior of individuals and collectives, bribery, provision of unreasonable gifts, and hospitality or other improper benefits shall be prohibited, as well as relevant response and handling measures for all employees to follow.	No significant difference.
	Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and reviewed the prevention programs on a regular basis?	✓	The Company specified regulations on conflicts of interest, confidentiality of client information, and business gifts in the Management Measures for the Ethical Corporate Management Best Practice Principles and the Management Measures for the Code of Conduct.	No significant difference.
	Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓	For suppliers and customers, the Company will evaluate their integrity records and provide relevant documents to sign. Furthermore, the Company will set up the ethical corporate management evaluation procedure before a business relationship to avoid transaction with unethical business entities.	No significant difference.
2. Fulfillment of ethical corporate management	Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓	The Company's Human Resources Department assists in promoting the Company's principles of ethical corporate management and reports to the Board of Directors at least once a year. If any unethical conduct occurs, the dedicated unit will report the handling method and subsequent review and improvement measures to the Board of Directors.	No significant difference.
	Has the Company established policies to prevent conflicts of interest, provided appropriate communication channels, and implemented them accordingly?	✓	The Company has formulated the Ethical Corporate Management Best Practice Principles, Code of Conduct for Employees, Management Procedures for Giving and Accepting Gifts, and the Work Rules for Employees.	No significant difference.
	Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devised relevant audit plans and audited the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓	The Company has established an accounting system and an internal control system. The internal audit unit formulates audit plans based on the results of risk assessment, performs audits on a regular basis, and performs project audits as required, while reporting the audit results to the Audit Committee and the Board of Directors.	No significant difference.

	<p>Does the Company regularly hold internal and external educational training on ethical corporate management? ✓</p>	<p>We also help all employees understand the Company's ethical corporate management policies and directions by training and dissemination.</p> <ul style="list-style-type: none"> ⇨ New employee orientation: Ethical corporate management is included in the content of new employee orientation. Every new employee in the new employee orientation is urged to abide by the Company's ethical corporate management. From 2020 to the first half of 2021, a total of 195 new employees received 2 hours of ethical corporate management training which total 390 training hours. ⇨ External training: From 2020 to the first half of 2021, a total of 10 candidates received external training, with each person receiving an average of 9.3 hours of training on accounting system and internal control. Total of 93 training hours were provided. ⇨ Internal training: In the first half of 2021, the course "Lectures on the Rule of Law and Integrity Education" was conducted by Lawyer Chuan-hou Lee of PolyLaw Office. He lectured on the importance of the Rule of Law and Integrity Education with videos and case studies. The trainees were the heads of all the departments. There were 45 participants in the course and each person received 2 hours training for a total of 90 training hours. The course attendance rate was 90% and the satisfaction score was 85.41. In the second half of the year, a course on ethical corporate management will continue to be held. It is expected to be recorded as an online course. In the future, it will be listed as the mandatory online course in conjunction with the training system. <p>We hope that we can communicate the policies and directions of ethical corporate management in D-Link to all employees by orientation/external/internal training. We will also continue to promote a high-standard ethical culture and abide by all laws and regulations.</p> <p>The Company has established an independent whistle-blowing channel (as table below) and a grievance handling mechanism, reporting investigation standards, and a confidentiality mechanism, and the systems are working well.</p> <table border="1" data-bbox="560 327 621 917"> <tr> <td>Whistleblowing line:</td> <td>Internal: 1444, External: 02-66000123*1444</td> </tr> <tr> <td>Whistleblowing email:</td> <td>cc@dlincorp.com</td> </tr> <tr> <td>Email of the Disciplinary Committee:</td> <td>cc.chair@dlincorp.com</td> </tr> </table> <p>The Company has established a disciplinary committee to implement relevant matters, which include the reporting of illegal acts, acceptance, collection of evidence, investigation, and handling.</p> <p>The Company accepts both anonymous and non-anonymous reporting, while ensuring the confidentiality of the reported content and identity of any whistleblower.</p>	Whistleblowing line:	Internal: 1444, External: 02-66000123*1444	Whistleblowing email:	cc@dlincorp.com	Email of the Disciplinary Committee:	cc.chair@dlincorp.com
Whistleblowing line:	Internal: 1444, External: 02-66000123*1444							
Whistleblowing email:	cc@dlincorp.com							
Email of the Disciplinary Committee:	cc.chair@dlincorp.com							
<p>3. Status of enforcing whistle-blowing systems in the Company</p>	<p>Has the Company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party? ✓</p> <p>Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms? ✓</p> <p>Does the Company provide protection to whistleblowers against receiving improper treatment? ✓</p>	<p>No significant difference.</p> <p>No significant difference.</p> <p>No significant difference.</p>						
<p>4. Enhanced disclosure of corporate social responsibility information</p>	<p>Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPs? ✓</p>	<p>No significant difference.</p>						
<p>5. If the Company has established the ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWS/TPEx Listed Companies, please describe any discrepancy between the Principles and their implementation: The Company has established the Ethical Corporate Management Best Practice Principles, the Code of Conduct for Employees, and Work Rules for Employee.</p>		<p>No significant difference.</p>						

6. Other important information that helps to understand The Company's ethical corporate management and operation (such as The Company's review and revision of its ethical corporate management best practice principles):

1. The Board of Director Meeting Procedure establishes the conflict of interest policy for Directors. It states that if a director or an entity represented by a director has an interest in one of the items on the agenda and the interest is likely to prejudice D-Link's interest, the director should explain the important content of his interest to the Board of Directors, and may not practice in the discussion and voting, and shall recuse him/herself from the discussion and voting process and exercise voting rights as a proxy for another director when the matter may harm the interests of the Company.
2. D-Link Corporation has implemented Guidelines for Materiality Management and Prevention of Insider Trade. The guidelines require explicitly that directors, managers and employees not disclose material insider information in their knowledge to other people; inquire or collect from persons with material insider information any undisclosed information unrelated to their duties; and not disclose to other people any undisclosed material insider information acquired not through performance of their duties.
3. The Company's code of "Ethical Corporate Management Best Practice Principles" establishes corporate culture, sound development and creates a sustainable development of the business environment.

(VII) For companies having principles and regulations on corporate governance in place, access shall be disclosed:

1. The Company's website: <http://www.dlinktw.com.tw/about/dlink/>
2. MOPS: <http://newmops.twse.com.tw>

(VIII) Other important information to facilitate a better understanding of the Company's corporate governance shall be disclosed all together:

1. The Company discloses material information to investors in a timely manner as required and holds investor conferences regularly to announce operational results.
2. The latest version of relevant regulations on insiders' equity of public companies and guidelines compiled by the Taiwan Stock Exchange (TWSE) is distributed to the Company's newly appointed Directors, managerial officers, and other insiders to facilitate insiders' compliance.
3. The Company informs insiders of the information regarding insider trading published on the website of TWSE from time to time.

(IX) The implementation of the internal control system shall disclose the following items

(1) Statement on Internal Control System

D-Link Corporation

Internal Control System Statement

2021.03.17

According to the results of the Company's self-assessment, the Company's statement pertaining to the internal control system in 2020 is as follows:

- I. the Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. the Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. the Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the aforementioned audit findings, the Company holds that as of December 31, 2020, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment regarding the contents above will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed at the Board of Directors meeting on March 17, 2021, with none of the night attending Directors expressing objectives; all Directors affirmed the content of this Statement.

D-Link Corporation

Chairman: John Lee

President: Mark Chen

(2) Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs shall be disclosed: None.

(X) For the most recent year and as of the printing date of this annual report, disclose any penalties imposed in accordance with the law upon the Company or its internal personnel, any penalties imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the status of improvements: None.

(XI) Major resolutions adopted at the shareholders' meetings and the Board of Directors meeting in the most recent fiscal year and as of the printing date of this annual report:

(1) Resolutions voted on by all shareholders present at the Company's Special Meeting of shareholders and implementation thereof:

Date: 2020.06.01

Place: No. 8, Zhifu Rd., Zhongshan Dist., Taipei City (Denwell Dazhi Branch)

Major resolutions	Status of implementation
<ol style="list-style-type: none"> 1. Gao Ju Investment Co., Ltd. was dismissed as a director of the 11th term of the board 2. Alpha Networks Inc. was dismissed as a director of the 11th term of the board 3. Chien Chin Investment Co., Ltd. was dismissed as a director of the 11th term of the board 4. Yun-Wei Investment Co., Ltd. was dismissed as a director of the 11th term of the board 5. Freda Chen was dismissed as an independent director of the 11th term of the board 	<ol style="list-style-type: none"> 1. Resolution was passed. 2. Resolution was passed. 3. Resolution was passed. 4. Resolution was passed. 5. Resolution was passed.

(2) Resolutions voted on by all shareholders present at the Company's general shareholders' meeting, and implementation thereof:

Date: 2020.06.15

Place: 2F., No. 399, Ruiguang Rd., Neihu Dist., Taipei City (Liberty Square Convention Center—International Conference Hall)

Major resolutions	Status of implementation
<ol style="list-style-type: none"> 1. Approved the 2019 Business Report and Financial Statements. 2. Proposal for 2019 profit and loss allocation 3. Election for the 12th Board of Directors 4. Proposal for amendment to the Articles of Incorporation 5. Approved the release of non-competition restrictions for Directors 	<ol style="list-style-type: none"> 1. Resolution was passed. 2. Approved and not to distribute dividends 3. Resolution was passed. 4. Resolution was passed. 5. Resolution was passed.

(3) Major resolutions of the Board of Directors meetings in 2020 and 2021:

Date of meeting	Major resolutions
2020.03.18	<ol style="list-style-type: none"> 1. Approved the 2019 business report and financial statements 2. Approved the proposal for 2019 profit and loss allocation 3. Approved the proposal for amendment to the Articles of Incorporation 4. Approved the proposal for amendment to the Board of Director Meeting Procedure 5. Approved the proposal for amendment to the Audit Committee Rules 6. Approved the proposal for amendment to the Personal Data Security Maintenance and Management Measures 7. Approved the proposal for the 2019 Internal Control System Statement 8. Approved the 2020 Business Plan and Budget Proposal

Date of meeting	Major resolutions
	9. Approved matters related to the convening of the 2020 General Shareholders' Meeting of the Company 10. Approved the proposal for Director re-election 11. Approved matters related to the candidate nomination for Directors (including Independent Directors) 12. Approved the list of candidates nominated by the Board for Directors (including independent directors) 13. Approved the release of non-competition restrictions for Directors 14. Approved the proposal for appointment of the head of internal audit 15. Approved the proposal for formulation of the Rules Governing the Scope of Powers of Independent Directors 16. Approved the proposal for formulation of the Management of the Financial Statement Preparation Process
2020.05.05	1. Correction to the motion of Director (including Independent Directors) candidate list of the 12 th Board Nominated by the Board of Directors 2. Motion of the review on the Director (including Independent Directors) candidate list of the 12 th Board Nominated by shareholders holding more than 1% 3. Approved 2020 professional fee for service of CPAs 4. Approved the proposal for application for renewal of a credit line and financial commodity trading lines to Mega International Commercial Bank 5. Approved the proposal for application for renewal of a credit line and financial commodity trading lines to KGI Commercial Bank 6. Approved the dismissal of Vice Chairman, John Lee 7. Approved the election of Chairman as Chien Chin Investment Co., Ltd.
2020.05.25	1. Approved Ku, Chi-Tung, a representative of Gao Ju Investment Co., Ltd., as chairman of the 2020 general or Special Meeting of shareholders 2. Approved proposal for change of the time and place of the Company's 2020 General Meeting of shareholders was not passed by the Board of the Directors 3. Approved the 3 rd to 6 th motions at the Board meeting will be convened for discussion on 5.31
2020.05.31 (Continued)	1. Approved to defer the 3 rd to 6 th motions at the Board meeting 2. Approved to repeal the proposal for change of the time and place of the Company's 2020 General Shareholders' Meeting
2020.06.15	1. The election of John Lee as Chairman of the Company.
2020.07.10	1. Approved the appointment of managers 2. Approved the change of members of 4 th Remuneration Committee 3. Approved the disposal of Alpha Network Inc. common shares by D-Link Corporation, Yeo-Tai Investment Ltd., Yeo-Mao Investment Ltd., Yeo-Chia Investment Ltd. 4. Approved the change of stock transfer agent
2020.08.11	1. Approved the amendment of the Board of Director Meeting Procedure 2. Approved the amendment of the Audit Committee Organizational Rules 3. Approved the amendment of the Rules Governing the Scope of Powers of Independent Directors 4. Approved the disposal of Alpha Network Inc. common shares by D-Link

Date of meeting	Major resolutions
	Corporation, Yeo-Chia Investment Ltd., Yeo-Mao Investment Ltd. 5. Approved the proposal for application for renewal of a credit line to Standard Chartered Bank 6. Approved the appointment of the President 7. Approved the appointment of the CFO 8. Approved the appointment of the Accounting Supervisor 9. Approved the amendment of the Remuneration Committee Organizational Rules 10. Approved the remuneration standard for new managers
2020.10.19	1. Approved the amendment of the Code of Conduct 2. Approved the formulation of Regulation of Self-Evaluation of the Board of Directors 3. Approved the amendment of Management procedures for subsidiaries 4. Designated the Company's derivative trading executives and authorized trading personnel 5. Approved the amendment of the Management of Seal Usage 6. Approved the transfer all common shares of Cameo Communications, Inc. held by Yeo-Chia Investment Ltd., Yeo-Mao Investment Ltd., Yeo-Tai Investment Ltd. to D-Link Corporation
2020.11.10	1. Approved the Company's 2021 annual audit plan 2. Approved the supplementary explanation of remuneration standard for new managers 3. Approved the proposal for application for renewal of a credit line to HSBC Bank (Taiwan) 4. Approved the proposal for application for renewal of a credit line to Far Eastern International Bank 5. The proposal of cash capital increase beyond NT\$70,000M for Yeo-Tai Investment Ltd.
2021.02.02	1. Approved the proposal to participate in the subscription of common shares via private placement by Cameo Communications, Inc. 2. Approved the formulation of the ESG Committee Organizational Rules
2021.03.17	1. Approved the proposal for the 2020 Internal Control System Statement 2. Approved the dismissal and appointment of manager of Business Group 3. Approved the remuneration standard for new managers 4. Approved the remuneration standard and KPI for managers of Business Group 5. Approved salary adjustment of the President 6. Approved 2020 distribution results of remuneration to employees and Directors 7. Approved 2020 business report and financial statements 8. Approved 2020 profit distributions of the Corporation 9. Approved the 2021 Business Plan and Budget Proposal 10. Approved the proposal of capital reduction 11. Approved the proposal for application for renewal of a credit line to Bank of Panhsin 12. Approved matters related to the convening of the 2021 General Meeting of shareholders

Date of meeting	Major resolutions
	13. Accepted to review motions proposed by shareholders 14. Approved release of non-competition restrictions for Directors 15. Approved the amendment of Prevention of Insider Trading 16. Approved the amendment of Management of Related Party Transactions
2021.03.30	1. Approved the election of one Independent Director and reviewed the list of candidates proposed by Board of Director 2. Accepted to review Independent Director candidate proposed by shareholders holding more than 1% 3. Approved the amendment of the convening of the 2021 General Meeting of shareholders 4. Approved release of non-competition restrictions for Directors

(XIII) Major Issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors in the most recent year and as of the printing date of this annual report:

Date of meeting	Major resolutions
2020.07.10	<ul style="list-style-type: none"> ● Motion: The disposal of Alpha Network Inc. common shares by D-Link Corporation, Yeo-Tai, Yeo-Mao, Yeo-Chia ● Dissenting the opinions of directors: Alan Yu, the representative of Pu Ju Investment Co., Ltd., objected and hoped that the Company could re-evaluate and provide more detailed information.
2021.03.17	<ul style="list-style-type: none"> ● Motion A: The dismissal and appointment of manager of Business Group ● Dissenting the opinions of directors: Alan Yu, the representative of Pu Ju Investment Co., Ltd., guessed the new manager had worked in the same industry for fear of causing legal problems related to the competition. ● Motion B: The remuneration standard and KPI for managers of Business Group ● Dissenting the opinions of directors: Alan Yu, the representative of Pu Ju Investment Co., Ltd., explained that the objection was consistent with proposal A. ● Motion C: The remuneration standard and KPI for managers of Business Group ● Dissenting the opinions of directors: David Tai, the representative of Pu Ju Investment Co., Ltd., suggested the Company set up a complete personnel system. ● Motion D: 2020 distribution results of remuneration to employees and Directors ● Dissenting the opinions of directors: Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., recommended that the use of funds should be carefully considered. ● Motion E: 2020 profit distributions of the Corporation ● Dissenting the opinions of directors: Alan Yu, the representative of Pu Ju Investment Co., Ltd., David Tai, the representative of Pu Ju Investment Co., Ltd., had reservations about this proposal. ● Motion F: The proposal of capital reduction ● Dissenting the opinions of directors: <ol style="list-style-type: none"> (1) The Independent Director, Chung Shyang-Fong, and Alan Yu, David Tai the representatives of Pu Ju Investment Co., Ltd., all recommended that the

Date of meeting	Major resolutions
	use of funds should be carefully considered.

(XIV) Resignation or Dismissal of Chairman, President, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, and R&D supervisor

Title	Name	Appointment Date	Date of Resignation or Dismissal	Reasons for resignation or dismissal
Chairman	Lori Hu	2020.05.05	2020.06.01	Dismissed
President	Lori Hu	2019.11.13	2020.06.01	Dismissed
Vice President	Evelyn Wang	2016.07.19	2020.06.15	Resigned
Accounting Supervisor	Jane Yu	2008.02.12	2020.06.15	Resigned

IV. Certified Public Accountant Professional Fees

(I) CPA professional fees in the most recent year

CPA firm	Name of CPAs		Audit period	Remarks
KPMG Taiwan	Pao-Lien Chou	Chiu-Hua Hsieh	2020.01.01~2020.12.31	

Unit: NT\$ Thousands

Range of fees		Category of fees	Audit	Non-audit Fee	Total
1	Less than NT\$2,000,000			✓	
2	NT\$2,000,000 (inclusive) to NT\$4,000,000				
3	NT\$4,000,000 (inclusive) to NT\$6,000,000		✓		✓
4	NT\$6,000,000 (inclusive) to NT\$ 8,000,000				
5	NT\$8,000,000 (inclusive) to NT\$10,000,000				
6	NT\$10,000,000 or more				

CPA Firm	Name of CPAs	Audit fee	Non-audit fee					Audit period	Note
			System Design	Business Registration	Human Resources	Other	Sub-total		
KPMG Taiwan	Pao-Lien Chou	5,863	0	0	0	863	863	2020.01.01 2020.12.31	Transfer pricing report and auditing and attestation of the business tax direct deduction method.
	Chiu-Hua Hsieh								

(II) Where the CPA firm was replaced, the audit fees paid in the fiscal year when the replacement was made were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons thereof shall be disclosed: N/A

(III) Where accounting fee paid for the year was more than 10% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: N/A

V. Replacement of CPA and information about successor CPA: N/A

VI. If the Company's Chairman, President, or any managerial officer in charge of finance or accounting has worked at the CPA firm or its affiliated company within the past year, the name, position, and time period in the CPA accounting firm or its affiliated company shall be disclosed: None

VII. Changes in Shareholdings of Directors, Managerial Officers, and Major Shareholders

Title	Name	2020		up to 2021.04.20	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Chairman	John Lee ¹	200,000	0	190,000	0
Director	Young Syun Investment Co., Ltd.	0	0	0	0
	Representative: Fred Fong	0	0	0	0
	Representative: Joseph Wang	0	0	0	0
	Representative: Victor Kuo	0	0	0	0
	Representative: Steve Lin (resigned on 2021.03.02)	3,000	0	N/A	N/A
Director	Pu Ju Investment Co., Ltd.	2,000	0	0	0
	Representative: David Tai	0	0	0	0
	Representative: Alan Yu	0	0	0	0
	Representative: Lori Hu (resigned on 2020.06.19)	(3,877,000)	0	N/A	N/A
Director	Howard Kao	144,000	0	0	0
Independent Director	Shyang-Fong Chung (resigned on 2021.03.19)	0	0	N/A	N/A
Independent Director	Richard Lee	0	0	0	0
Independent Director	Richard Chen	0	0	0	0
President	Mark Chen	0	0	0	0
Senior Vice President	Fred Fong	0	0	0	0
Senior Vice President	CJ Chang	0	0	0	0
Vice President	GK Lee	(16,000)	0	0	0
Vice President	Kevin Chung	(16,000)	0	0	0
Vice President	ML Jean	0	0	0	0
Vice President	Louis Haung	0	0	0	0
Vice President	Shanglin Chung	0	0	0	0
Vice President	Rita Huang	0	0	0	0
Vice President	Sara Cheng	0	0	0	0
Assitant Vice President	Ziva Wu	(85,000)	0	0	0
Assitant Vice President	Allen Cheng	0	0	0	0
CFO	Joanne Chen	0	0	0	0
Accounting Suprvisor	Claire Chou	0	0	0	0
Director	Gao Ju Investment Co., Ltd. (dismissed on 2020.06.01)	5,445,000	0	N/A	N/A
	Representative: Lori Hu	(3,877,000)	0	N/A	N/A
Director	Alpha Networks Inc. (dismissed on 2020.06.01)	0	0	N/A	N/A
	Lin, Wen-Peng	0	0	N/A	N/A

Director	Yun-Wei Investment Co., Ltd. (dismissed on 2020.06.01)	0	0	N/A	N/A
Director	Chien Chin Investment Co., Ltd. (dismissed on 2020.06.01)	0	0	N/A	N/A
	Representative: Gary Chien9	0	0	N/A	N/A
Senior Vice President	Evelyn Wang (resigned on 2020.06.15)	0	0	N/A	N/A
Accounting Supervisor	Jane Yu (resigned on 2020.06.15)	0	0	N/A	N/A
Assistant Vice President	Anderson Wu (retired on 2020.08.31)	(18,000)	0	N/A	N/A

Note1: Concurrently serves as Chief Executive Officer.

VIII.Changes in Shareholdings of Directors, Managerial officers and 10% Shareholding or More

(I) Stock transfer with related party:

Name	Reason for Transfer	Transaction Date	Trading Counterparts	Relation between the trading counterparts and the Company, Directors, managerial officers, and shareholders holding 10% or more of shares	Shares	Transaction Price
Lori Hu	Disposal	2020.02.05	Pu Ju Investment Co., Ltd.	Owner	1,063,000	13.7
Lori Hu	Disposal	2020.02.05	Pu Ju Investment Co., Ltd.	Owner	6,167,000	13.0

(II) Stock Pledged with related party: None

IX. Related Party Relationship Among the Company's Top 10 Shareholders

2021.04.20

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name and Relationship between DLC's Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relation	
Sapido Technology Inc. Representative: Li, Yun-Chin	65,020,000	9.97	–	–	–	–	–	–	–
Yitongyuan investment Co., Ltd. Representative: Huang, Chun-Yi	28,712,000	4.40	–	–	–	–	Young Syun Investment Co., Ltd.	controlling company	–
							Huang, Chun-Yen	the spouse of the sister	
Chia Hwa Investment Corporation	17,320,000	2.66	–	–	–	–	–	–	–
Pu Ju Investment Co., Ltd.	12,491,000	1.92	–	–	–	–	–	–	–
John Lee	11,679,744	1.79	–	–	–	–	–	–	–
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	8,020,000	1.23	–	–	–	–	–	–	–
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. – Equity Trading Division (Proprietary Trading Desk)	7,837,000	1.20	–	–	–	–	–	–	–
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, A Series of Vanguard Star Funds	7,613,679	1.17	–	–	–	–	–	–	–
Young Syun Investment Co., Ltd. Representative: Huang, Chun-Yen	6,520,000	1.00	–	–	–	–	Yitongyuan investment Co., Ltd.	subordinate company	–
							Huang, Chun-Yi	the sister of the spouse	
Gloria Material Technology Corp. Representative: Joseph Wang	6,335,000	0.97	–	–	–	–	–	–	–

X. Consolidated Shareholding Ratio of Investees

2020.12.31; Note 1: Refers to company limited

Investee	Investment by the Company		Investments directly or indirectly controlled by directors, supervisors, and managers of the Company		Total investments	
	shares	%	shares	%	shares	%
D-Link Canada Inc.	8,736,000	100.00	—	—	8,736,000	100.00
D-Link Systems, Inc.	47,295,007	98.44	750,000	1.56	48,045,007	100.00
D-Link Holding Company Ltd.	68,062,500	100.00	—	—	68,062,500	100.00
D-Link (Europe) Ltd.	—	—	32,497,455	100.00	32,497,455	100.00
D-Link AB	—	—	15,500	100.00	15,500	100.00
D-Link (Magyarorszag) Kft	—	—	300	100.00	300	100.00
D-Link France SARL	—	—	114,560	100.00	114,560	100.00
D-Link Polska Sp. Z.o.o.	—	—	100	100.00	100	100.00
D-Link Iberia SL	—	—	50,000	100.00	50,000	100.00
D-Link s.r.o.	—	—	100	100.00	100	100.00
D-Link (Netherlands) BV	—	—	50,000	100.00	50,000	100.00
D-Link Mediterraneo SRL	—	—	50,000	100.00	50,000	100.00
D-Link (Deutschland) GmbH	—	—	Note 1	100.00	Note 1	100.00
D-Link (Holdings) Ltd.	—	—	3	100.00	3	100.00
D-Link (UK) Ltd.	—	—	300,100	100.00	300,100	100.00
D-Link Adria d.o.o	—	—	Note 1	100.00	Note 1	100.00
OOO D-Link Russia	—	—	Note 1	100.00	Note 1	100.00
Wishfi Pte. Ltd.	—	—	1,000,000	100.00	1,000,000	100.00
Success Stone Overseas Corp.	—	—	9,822	100.00	9,822	100.00
D-Link Holding Mauritius, Inc.	—	—	200,000	100.00	200,000	100.00
D-Link (India) Ltd.	—	—	18,114,663	51.02	18,114,663	51.02
TeamF1 Networks Private Ltd.	—	—	10,500	51.02	10,500	51.02
D-Link Shiang-Hai (Cayman) Inc.	—	—	50,000	100.00	50,000	100.00
D-Link (Shiang-Hai) Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00
Netpro Trading (Shang-hai) Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00
D-Link International Pte. Ltd.	66,074,660	99.36	425,340	0.64	66,500,000	100.00

D-Link Korea Limited	—	—	330,901	100.00	330,901	100.00
D-Link Trade M	—	—	Note 1	100.00	Note 1	100.00
D-Link Russia Investment Co. Ltd.	—	—	25,000,000	100.00	25,000,000	100.00
D-Link Malaysia Sdn Bhd	—	—	800,000	100.00	800,000	100.00
D-Link Service Lithuania, UAB	—	—	1,000	100.00	1,000	100.00
D-Link Sudamerica S.A.	199,999	100.00	1	—	200,000	100.00
D-Link Mexicana S.A de C.V	152,066	100.00	3	—	152,069	100.00
D-Link Japan K.K.	9,500	100.00	—	—	9,500	100.00
D-Link Australia Pty Ltd.	999,000	99.90	1,000	0.10	1,000,000	100.00
D-Link Middle East FZCO	5	83.33	1	16.67	6	100.00
D Link Network	—	—	100	100.00	—	100.00
D-Link Brazil LTDA.	2,964,836,727	100.00	100	—	2,964,836,827	100.00
D-Link Investment Pte. Ltd.	2,200,000	100.00	—	—	2,200,000	100.00
OOO D-Link Trade	—	—	Note 1	100.00	Note 1	100.00
D-Link Latin-America Company Ltd.	41,000	100.00	—	—	41,000	100.00
D-Link del Ecuador S.A.	—	—	800	100.00	800	100.00
D-Link Peru S.A.	—	—	3,500	100.00	3,500	100.00
D-Link de Colombia S.A.S.	—	—	1,443,605	100.00	1,443,605	100.00
D-Link Guatemala S.A.	—	—	99,000	99.00	99,000	99.00
D-Link Argentina S.A.	—	—	100	100.00	100	100.00
Yeo-Chia Investment Ltd.	Note 1	100.00	—	—	Note 1	100.00
Yeo-Mao Investment Ltd.	10,220,271	100.00	—	—	10,220,271	100.00
Yeo-Tai Investment Ltd.	14,600,000	100.00	—	—	14,600,000	100.00
Xtramus Technologies Co. Ltd.	—	—	1,832,446	41.18	1,832,446	41.18
MiiiCasa Holding (Cayman) Inc.	—	—	21,000,000	28.98	21,000,000	28.98

Chapter 4 Capital and Shares

I. Capital and Shares

(I) Capitalization

Unit: Thousand shares; NT\$ Thousands; 2021.04.20

Month/ Year	Issue price	Authorized capital		Capital Stock		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
Aug. 2006	10	880,000	8,800,000	675,378	6,753,780	Capital increase from retained earnings 119,432 Capital increase from capital surplus by 477,729 Capital increase from employee bonus by 65,000	—	08/21/2006 Department of Commerce, MOEA No. 09501266710
Nov. 2006	10	880,000	8,800,000	663,780	6,637,801	Reduction of treasury shares by 120,000	—	11/28/2006 Department of Commerce, MOEA No. 09501266710
Aug. 2007	10	880,000	8,800,000	683,846	6,838,456	Capital increase from retained earnings 132,676 Capital increase from employee bonus by 72,000	—	A08/14/2007 Department of Commerce, MOEA No. 09601196230
Nov. 2007	10	880,000	8,800,000	547,076	5,470,765	Cash capital reduction 1,367,691	—	11/21/2007 Department of Commerce, MOEA No. 09601286290
Aug. 2008	10	880,000	8,800,000	565,218	5,652,180	Capital increase from retained earnings 109,415 Capital increase from employee bonus by 72,000	—	08/19/2008 Department of Commerce, MOEA No. 09701205030
Sep. 2009	10	880,000	8,800,000	647,580	6,475,803	Capital increase from retained earnings 823,623	—	09/08/2009 Department of Commerce, MOEA No. 09801206030
Oct. 2014	10	880,000	8,800,000	635,580	6,355,803	Reduction of treasury shares 120,000	—	10/17/2014 Department of Commerce, MOEA No. 10301214590
Oct. 2014	10	880,000	8,800,000	647,756	6,477,557	Capital increase from retained earnings 121,755	—	10/17/2014 Department of Commerce, MOEA No. 10301214590
Sep. 2015	10	880,000	8,800,000	678,803	6,788,032	Capital increase from retained earnings 155,237 Capital increased by capital surplus 155,237	—	S09/02/2015 Department of Commerce, MOEA No. 10401179680
Nov. 2015	10	880,000	8,800,000	676,996	6,769,962	Reduction of treasury shares 18,070	—	11/27/2015 Department of Commerce, MOEA No. 10401253760
Apr. 2016	10	880,000	8,800,000	651,996	6,519,962	Reduction of treasury shares 25,000	—	04/07/2016 Department of Commerce, MOEA No. 10501064990
Share type		Authorized capital				Remarks		
		Issued shares		Unissued shares		Total		
Registered common shares		651,996		228,004		880,000	Shares of Listed Company	

(II) Information of shelf registration: N/A**(III) Shareholder Structure**

2021.04.20

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Natural Persons and Investment Agencies in China	Total
QTY							
Number of shareholders	3	—	212	219	74,027	1	74,462
Shareholding	192	—	162,452,233	70,792,420	418,751,320	1	651,996,166
%	0.00%	—	24.92%	10.86%	64.22%	0.00%	100.00%

(IV) Shareholding distribution status

2021.04.20

Shareholding range	Number of shareholders	Shareholding (shares)	Percentage (%)
1-999	35,365	44,63,290	0.68
1,000-5,000	26,892	59,519,031	9.13
5,001-10,000	5,798	44,990,886	6.90
10,001-15,000	2,040	25,198,251	3.86
15,001-20,000	1,220	22,713,622	3.48
20,001-30,000	1,034	26,352,119	4.04
30,001-40,000	551	19,822,042	3.04
40,001-50,000	339	15,849,710	2.43
50,001-100,000	666	48,248,135	7.40
100,001-200,000	298	41,984,684	6.44
200,001-400,000	129	37,275,583	5.72
400,001-600,000	49	24,572,740	3.77
600,001-800,000	22	15,371,829	2.36
800,001-1,000,000	14	12,990,971	1.99
1,000,001 or more	45	252,643,273	38.76
Total	69,083	651,996,166	100.00%

(V) List of major shareholders

2021.04.20

Shareholder's name	Shareholding	Shareholding (shares)	Percentage (%)
Sapido Technology Inc.		65,020,000	9.97
Yitongyuan investment Co., Ltd.		28,712,000	4.40
Chia Hwa Investment Corporation		17,320,000	2.66
Pu Ju Investment Co., Ltd		12,491,000	1.92
John Lee		11,679,744	1.79
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds		8,020,000	1.23
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. – Equity Trading Division (Proprietary Trading Desk)		7,837,000	1.20
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, A Series of Vanguard Star Funds		7,613,679	1.17
Young Syun Investment Co., Ltd.		6,520,000	1.00
Gloria Material Technology Corp.		6,335,000	0.97

(VI) Market price, net worth, earnings, and dividends per share and related information over the past two years

Unit: NT\$; thousand shares; %

Item	Year	2021(As of March 31)			
		2019	2020	2021	
Market price per share	Highest	15.45	30.8	30.65	
	Lowest	11.2	8.1	22.75	
	Average	12.67	16.91	25.60	
Net worth per share	Before distribution	13.00	14.20	14.25	
	After distribution	13.00	13.90	—	
Earnings per share	Weighted average shares	651,996	651,996	651,996	
	Earnings per share	(0.78)	1.90	0.09	
Dividends per share	Cash dividends		—	0.30	—
	Free allotment	Dividends from retained earnings	—	—	—
		Dividends from capital surplus	—	—	—
	Cumulative unpaid dividends		—	—	—
Return on investment	Price/earnings ratio		(16.24)	8.90	—
	Price/dividend ratio		—	56.37	—
	Cash dividend yield (%)		—	1.77%	—

(VII) Dividend policy and implementation status

(1) Dividend Policy:

The Company will adopt the residual dividend policy in line with the overall environment, characteristics of industrial growth, and the Company's long-term financial planning, to attract domestic and foreign talents and pursue sustainable operation of the Company.

The Company's Articles of Incorporation provides that if there is any surplus at the end of the year, it shall be distributed in the following order: 1. pay taxes, 2. compensate for the losses for preceding years, 3. appropriate 10% for the legal capital reserve, 4. appropriate or reverse special reserves according to laws or the competent authority regulations, and 5. after deducting the aforesaid payments, the Board of Directors shall put forward a distribution proposal with respect to such balance together with the profits from preceding years at the shareholders' meeting for a resolution; the total amount of dividends distributed to shareholders shall not be less than 30% of the distributable surplus for the year.

As stipulated by Article 240 and 241 of the Company Act, the Company may distribute the dividends to be distributed, or all or part of the legal reserve and capital reserve in form of cash and report to the Shareholders' Meeting, after such matter has been determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors.

The distribution of stock dividends will be in consideration of the Company's capital budget and to retain the capital required, while the remaining portion may be distributed in the form of cash dividends, provided that it shall not be less than 10% of the total dividends.

(2) Proposed dividend distribution at the shareholders' meeting:

The 2020 cash dividend of NT\$0.3 per share was approved by the meeting of Board of

Directors held on March 17, 2021. This proposal will be executed in accordance with relevant regulations after reported at General Shareholders' meeting on 2021.06.18.

(VIII) Impact of issuing stock dividend proposed in this shareholder's meeting on the Company's operational performance and dividends per share: None.

(IX) Compensation to employees and directors

1. Information relating to percentage or scope of compensations to employees and directors in the Articles of Incorporation:

The Company shall distribute 1% to 15% of the current year's profit for employee remuneration and no more than 1% of the current year's profit for the remuneration to Directors. However, the Company shall reserve a portion to make up for the losses in advance, if applicable.

2. Accounting procedures for discrepancies between the estimated and actual distributed amount of remuneration in the form of shares to the Company's employees and Directors in this period:

The basis for estimating the amount of employee, director compensation which adopt the Company's earning (namely, profit before income tax plus stated remuneration to employees and directors) less the loss to be covered. According to the regulations of the Company's Article of Incorporation, employee, director's compensation is estimated and recognized as current expenses. If there would be any difference between estimated amounts in the financial statements and the actual amounts approved by Board of Directors, if any, shall be accounted for as a change in accounting estimate and recognized as profit or loss in following year.

There is a difference between the BOD's proposed amount of compensation to be distributed to employees and directors and the amount listed in the 2020 financial statement. The total difference, NT\$8,544,000, is considered an estimated change and is recognized in 2021 Consolidated Financial Statements.

3. Employee compensation proposal adopted by the Board of Directors:

(1) The Board of Directors approved the distribution of NT\$46,800,000 and NT\$4,680,000 in cash as remuneration to employees and directors on 2021.03.17.

(2) The amount of any employee remuneration distributed in stocks, and the amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial report: None

4. If there is any discrepancy between the actual amount of remuneration distributed to employees and Directors (including number and amount of shares distributed, as well as share price) and the recognized amount of remuneration to employees and Directors in the previous fiscal year, the amount, causes, and treatment of such discrepancy shall be stated:

The Company's Board of Directors resolved on March 18, 2020 that no remuneration to employees or Directors is estimated, as there was a net loss before tax for 2019.

(X) Repurchase of the Company's treasury stock: None.

II. Corporate Bonds

(I) Exchangeable corporate bonds

Type of corporate bond		First time unsecured exchangeable corporate bonds
Date of issuance (placement)		2015.06.17
Par value		NT\$100,000
Place of issuance and transaction		Taipei Exchange
Issue price		Issue by par value
Total		NT\$1,200,000,000
Interest rates		0
Term		5-year term; maturity date: 2020.06.17
Guarantor		None
Trustee		Corporate Trust Dept., Chinatrust Commercial Bank
Underwriter		Yuanta Securities Co., Ltd.
Certifying attorney		Far East Law Offices Ya-Wen Chiu, Attorney at law
CPAs		KPMG Taiwan CPA Wei-Chuan Kao and CPA Yuan-Chen Mei
Method of redemption		For details, please refer to Article 6 of the Measures for the Issuance and Conversion of Corporate Bonds.
Unredeemed principal		NT\$0
Articles for redemption or early liquidation		For details, please refer to Article 18 of the Measures for the Issuance and Conversion of Corporate Bonds.
Restrictions		None
Name of credit rating agency, rating date, and the results of corporate bond ratings		N/A
Other rights	Amount of common shares already converted (swapped or warranted) and Global Depository Receipts or other negotiable securities as of the printing date of this annual report	The amount of the swap was NT\$1,199,400,000, and the par value of corporate bonds unexchanged was NT\$600,000.
	Issuance and conversion (swap or subscription) methods	For details, please refer to the Measures for the Issuance and Swap of Corporate Bonds in the Appendix.
Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks		The swap was conducted for the common shares of Alpha Networks Inc, which did not have impact on the Company's and shareholders' equity.
Name of the commissioned custodian of the swapped shares		N/A

D-Link Corporation

The first domestic unsecured exchangeable corporate bond issuance and method

- I. Name of bond
D-Link Corporation (hereinafter referred to as "the Company"); the first time domestic unsecured exchangeable corporate bonds (hereinafter referred to as "the exchangeable corporate bonds").
- II. Issuance date:
On 06/17/2015 (hereinafter referred to as the "issuance date").
- III. Total issuance amount
The par value of each exchangeable corporate bond is NT\$10,000. It is issued by denomination. The total number of bonds issued is 10,000, and the total amount of issuance is NT\$10,000.
- IV. Issuance period
The issuance period is five years; the bonds were issued on 06/17/2015 and will expire on 06/17/2020 (hereinafter referred to as the "maturity date").
- V. The coupon rate of the bonds is 0% per annum.
- VI. Date and methods of repayment:
Except for that bondholders exchange the bonds for common shares of Alpha Networks Inc. (hereinafter referred to as "Alpha") in accordance with Article 10 of these Measures, or exercise the right to reverse repurchase of the bonds in accordance with Article 18 of these Measures, or if the Company withdraws them in advance in accordance with Article 17 of these Measures or the Company repurchases them from the premises of securities firms for cancellation, when the bond matures, the Company will repay in lump sum with cash for the bonds held by bondholders based on the par value of the bonds, plus the accrued premiums (the accrued premiums upon maturity is 1.26% of the par value of the bonds, and the real annual yield is 0.25%).
- VII. Guarantee status
This exchangeable bond is an unsecured bond, but if the Company reissues or conducts private placement of other secured exchangeable corporate bonds for the same exchange target (Alpha) after the issuance of this exchangeable bond, the level of creditor's rights or collateral for the secured exchangeable corporate bonds shall also apply to this exchangeable bond.
- VIII. Subject of exchange: Ordinary shares of Ming Tai Technology held by the Company.
- IX. Period of exchange
From the day following one month after the issuance of this exchangeable bond (07/18/2015) to the maturity date (06/17/2020), except for from the fifteen business days before Alpha's book closure date of stock dividends, book closure date of cash dividends, book closure date of stock subscription for cash capital increase to the base date for the distribution of stock rights, from the base date of the capital reduction to the day before the trading day for share exchange for capital reduction, and other book suspension periods for Alpha's common stocks as required by law, bondholders may request the Company to exchange the bonds for Alpha's common shares in accordance with these Measures at any time; the Company will proceed it in accordance with the provisions of Articles 10, 11, 13, and 14 of these Measures.
- X. Procedure for filing a request for exchange:
 - (I) Bondholders shall fill out the "Application for Conversion (Exchange)/Repurchase (Redemption/Sale)/Cancellation/Subscription/ Performance/Redemption via Book Entry Operations (Payment Slip)" (exchange shall be indicated, along with the

passbook containing the information of the bond trading) at the original securities firm. The securities firm will then apply to Taiwan Depository & Clearing Corporation (hereinafter referred to as the "TDCC"). After TDCC accepts the application, it will notify the Company's stock affairs agency electronically; when the notification is delivered, the exchange takes effect instantly, and an application for cancellation is prohibited. Within one business day after the notice is delivered to the Company's stock affairs agency, the Alpha's shares will be directly transferred to the bondholders' original securities account via book entry operations through TDCC. However, in the case of an odd lot (less than 1,000 shares) after the exchange, the delivery may be completed within five business days.

- (II) Where overseas ethnic Chinese and foreign nationals apply for exchange of the exchangeable corporate bonds for the Alpha's common shares, it shall all be handled through book-entry operations by TDCC.

XI. Exchange price and adjustment

- (I) The base date for the exchange price of this exchangeable bond was June 9, 2015; a simple arithmetic means of the closing price of Alpha's common stock for one business day, three business days, and five business days before the base date (exclusive), respectively, was chosen as the base price, and then the base price was multiplied by 105.26% (rounded the first decimal place). In the case of ex-rights or ex-dividend before the base date, the closing price of the exchange price to be calculated by sampling shall be the price after deducting equity or dividend; the exchange price shall be adjusted according to the exchange price adjustment formula as stipulated in Subparagraphs (II) and (III) of this article in the case of ex-rights or ex-dividend by Alpha from the date of decision to the actual date of issue. The exchange price for the issuance of the exchangeable bond was set at NT\$22.00 per share. After adjustment, the exchange price for the issuance of the exchangeable bond was set at NT\$19.36 per share.
- (II) After the issuance of this exchangeable bond, except for the exchange for common shares using various securities with common stock conversion right or subscription right issued (or privately placed) by Alpha, in the case of an increase in common shares issued (or privately placed) by Alpha (including but not limited to cash capital increase, capital increase from earnings, capital increase from capital surplus, capital increase from employee bonus, a merger or acquisition of another company's shares for issuance of new shares, stock split, and cash capital increase to participate in the issuance of overseas depository receipts, through public offering or private placement), the Company shall adjust the exchange price of this exchangeable bond in accordance with the following formula (rounded the first decimal place with downward adjustment rather than upward adjustment) while sending an official letter to write to Taipei Exchange (hereinafter referred to as "TPEX") for making a public announcement; the adjustment will be conducted on the base date (Note 1) of issuance of Alpha's new shares (in the case of a stock payment to be made, the adjustment will be conducted on the day when the said payment is made). If Alpha changes the issue price of the new shares for capital increase after the ex-rights base date, the Company shall re-adjust the exchange price using the following formula based on the updated issue price of the new shares. If the exchange price after adjustment is lower than the exchange price announced before the ex-rights ex-dividend base date, the Company shall send an official letter to TPEX for announcement of re-adjustment.

Exchange price after adjustment

$$= \text{Exchange price before adjustment } X \frac{\text{Contribution per share(Note 3)} \times \text{number of issued shares of Alpha (including new issuance and private placement)}}{\text{Number of issued shares of Alpha(Note 2) + number of issued shares of Alpha (including new issuance and private placement)}} + \frac{\text{Real - time price per share (Note 4)}}{\text{Number of issued shares of Alpha(Note 2) + number of issued shares of Alpha (including new issuance and private placement)}}$$

- Note 1: In the case of a cash capital increase for issuance of new shares or a cash capital increase for participation in overseas depositary receipts, it will be adjusted on the day when the stock payment is made. In the case of stock split, the adjustment shall be made on the base date of stock split. In the case of a merger or acquisition of another company's shares for capital increase, it shall be adjusted on the base date of the merger or acquisition. In the case of cash capital increase through private placement or the capital increase in the form of privately placed securities, it shall be adjusted on the delivery date of the private placement securities.
- Note 2: The number of issued shares refers to the total number of issued shares of Alpha's common stocks (including through public offering and private placement) minus the number of treasury shares that have been repurchased by Alpha but have not been cancelled or transferred.
- Note 3: If the contribution per share is stock dividends or stock split, the amount of contribution is zero. In the case of capital increase from employee bonus, the contribution per share is the closing price of the day before the shareholders' meeting, and the effect of ex-rights and ex-dividends shall be considered. In the case of issuance of new shares with capital increase from mergers, the contribution per share is the net value per share multiplied by the share conversion ratio based on the Company's most recent eliminated financial statements certified or verified by the CPA before the base date of mergers. In the case of issuance of new shares through acquisitions of shares of other companies, the contribution per share is the net value per share multiplied by the share exchange ratio based on the Companies' most recent financial statements certified or verified by the CPA.
- Note 4: A simple arithmetic means of the closing price of Alpha's common stock on the ex-rights base date or the price-setting date of the common stock reissued (or privately placed), or the closing price of Alpha's common stock one, three, and five business days before the delivery date of privately placed securities is chosen as the real-time price per share.
- (III) After the issuance of this exchangeable bond, if the ratio of cash dividends of common shares distributed by Alpha to the current price per share exceeds 1.5%, the exchange price shall be reduced on the basis of the ratio of the current price per share on the Alpha's ex-rights base date (rounded to the first decimal place), and an official letter shall be sent to TPEx for making a public announcement of the exchange price after adjustment. The provision regarding the exchange price reduction does not apply to the requests for exchange filed before the ex-dividends base date (exclusive). The adjustment formula is as follows:

Exchange price after adjustment

$$= \text{Exchange price before adjustment} \times (1 - \text{Ratio of cash dividend to the real-time price per share})$$

A simple arithmetic means of the closing prices of the Alpha's common shares on one, three, and five business days, respectively, prior to the date of announcing ex-dividends and the termination of the ownership transfer of cash dividends is chosen as the real-time price per share.

- (IV) After the issuance of this exchangeable bond, in the event that Alpha reissues (or conducts private placement of) various securities with common share conversion right or subscription right at a conversion or subscription price below the current price per share, the Company shall adjust the exchange price of this exchangeable bond in accordance with the following formula (rounded to the first decimal place with downward adjustment rather than upward adjustment) while sending an official letter to TPEX for making a public announcement; the adjustment shall be conducted on the aforementioned date of issuance of securities or subscription right or the delivery date of privately placed securities. (Note 1)

$$= \text{Exchange price before adjustment} \times \frac{\text{Exchange price after adjustment}}{\text{Conversion or subscription price of securities or subscription rights of Alpha (including new issuance and private placement)} \times \text{Number of shares of securities or subscription rights of Alpha (including new issuance and private placement)}} \times \frac{\text{Number of issued shares of Alpha (Note 2)} + \text{Real-time price per share (Note 1)}}{\text{Number of issued shares of Alpha} + \text{Number of shares of securities or subscription rights of Alpha (including new issuance and private placement)}}$$

Note 1: A simple arithmetic mean of the closing prices of the Alpha's common shares on one, three, and five business days, respectively, prior to the base date of price determination of various securities issued through public re-offering (or private placement) with common share conversion right or subscription right or the date of delivery of privately placed securities is chosen as the real-time price. If there is an event of ex-rights or ex-dividends before the base date of determining the exchange price, the sampled closing price used to calculate the exchange price shall be calculated as the price after ex-rights or ex-dividends first.

Note 2: The number of issued shares shall be based on the total number of Alpha's issued shares of (including through public offering and private placement) on the basis date of price determination minus the number of treasury shares repurchased by Alpha that has not yet been canceled or transferred. In the event that Alpha's various securities issued through public re-offering (or private placement) with common share conversion right or subscription right are from treasury shares, the number of issued shares in the adjustment formula shall minus the number of shares that can be converted from or subscribed by new securities publicly offered (privately placed).

- (V) Where the number of common shares is reduced due to the capital reduction conducted through means other than the Alpha's cancellation of treasury shares after

the issuance of the exchangeable corporate bonds, the exchange price shall be calculated based on the formula below (rounded to the first decimal place) and adjusted on the base date of capital reduction, while an official letter shall be sent to TPEX for making a public announcement for such an adjustment.

$$= \text{Exchange price before adjustment} \times \frac{\text{Exchange price after adjustment} \times \text{Number of Alpha's issued common shares before capital reduction}(\text{Note})}{\text{Number of Alpha's issued common shares after capital reduction}(\text{Note})}$$

Note: The number of issued common shares refers to the total number of Alpha's issued common shares (including through public offering and private placement) minus the number of treasury shares that have been repurchased by Alpha but have not been cancelled or transferred.

- XII. For listing of this exchangeable bond on the over-the-counter (OTC) market and termination of the listing, this exchangeable bond shall be applied to TPEX for trading on the OTC market before the issuance date, and the Company shall make an announcement after the application is approved by TPEX. When this exchangeable bond is fully exchanged for Alpha's common shares or fully re-purchased or redeemed by the Company, the listing will be terminated.
- XIII. After this exchangeable bond is exchanged for Alpha's common shares, it can be traded on the Taiwan Stock Exchange from the delivery date.
- XIV. In the case of exchange for Alpha's common shares, if it is fewer than one share, the Company will pay in cash (rounded up to zero decimal places)
- XV. Rights and obligations after exchange
The rights and obligations of holders of common shares after exchange are the same as those of Alpha's original common shares.
- XVI. The ownership of annual cash dividends and stock dividends via exchange:
 - (I) Cash dividends
 1. Where a bondholder files a request for exchange from January 1 of the year to 15 business days (exclusive) before Alpha's book closure date for ownership of cash dividends in the current year, the bondholder may participate in the resolution of the annual shareholders' meeting in the current year regarding the cash dividend distribution for the previous year.
 2. From 15 business days (inclusive) before Alpha's book closure date for ownership of cash dividends in the current year to the base date of ex-dividends (inclusive) for cash dividends, the exchangeable corporate bonds shall stop being exchanged.
 3. Bondholders who request the exchange from the day following the ex-dividend base date of Alpha's cash dividends in the current year to December 31 (inclusive) in the currently shall give up the cash dividends for the previous year resolved at the annual shareholders' meeting in the current year and participate in the resolution of the cash dividends for the current year at the annual shareholders' meeting in the following year.
 - (II) Stock dividends
 1. Where a bondholder files a request for exchange from January 1 of the year to 15 business days (exclusive) before Alpha's book closure date for ownership of stock dividends of the current year, the bondholder may participate in the resolution of

the annual shareholders' meeting in the current year regarding the stock dividend distribution for the previous year.

2. From 15 business days (inclusive) before Alpha's book closure date for ownership of stock dividends in the current year to the base date of ex-rights (inclusive) for stock dividends, the exchangeable corporate bonds shall stop being exchanged.
3. Bondholders who request the exchange from the day following the ex-rights base date of Alpha's stock dividends in the current year to December 31 (inclusive) of the currently shall give up the stock dividends for the previous year resolved at the annual shareholders' meeting in the current year and participate in the resolution of the stock dividends for the current year at the annual shareholders' meeting in the following year.

XVII. The Company's right to recover the exchangeable bond

- (I) From the day following one month after the issuance (07/18/2015) to forty days before the end of the maturity date (05/08/2020), when the exchangeable price exceeds 30% (inclusive) at the time for 30 consecutive business days, the Company may, within 30 business days thereafter, send a "bond recovery notice" with a one-month expiry date (the aforementioned period starts from the date when the Company has sent the letter, and the expiry date of the period is used as the base date for bond recovery, and the aforementioned period shall not be the exchange suspension period as stipulated in Article 9) via registered mail to the bondholders (subject to the register of bondholders on the fifth business day before the "bond recovery notice" is sent. For investors who subsequently obtained this exchangeable bond through trading or for other reasons, it shall be conducted through announcement), while sending an official letter to TPEx for making a public announcement. In the event that the bondholders do not reply in writing to the Company's stock affairs agency in writing between 30 days and 5 days before the bond recovery base date as stated in the "bond recovery notice" received (effective upon delivery, and the postmark date shall prevail for registered mail), the Company may exchange the exchangeable bonds held for Alpha's common shares at the exchange price at that time with the expiry date of the period as the exchange base date. If the bondholder replies in writing, the Company will recover the exchangeable bond held in cash at the par value of the bond within five business days after the expiry date of the period (i.e., the bond recovery base date).
- (II) From the day following the month after the issuance (07/18/2015) to forty days before the expiration of the issuance period (05/08/2020), if the balance of the outstanding exchangeable bond is less than 10% of the original total, the Company may send a "bond recovery notice" with a one-month expiry date (the aforementioned period starts from the date when the Company has sent the letter, and the expiry date of the period is used as the base date for bond recovery, and the aforementioned period shall not be the exchange suspension period as stipulated in Article 9) via registered mail to the bondholders (subject to the register of bondholders on the fifth business day before the "bond recovery notice" is sent. For investors who subsequently obtained this exchangeable bond through trading or because of other reasons, it shall be conducted through announcement), while sending an official letter to TPEx for making a public announcement. In the event that the bondholders do not reply in writing to the Company's stock affairs agency in writing between 30 days and 5 days before the bond recovery base date as stated in the "bond recovery notice" received (effective upon delivery, and the postmark date shall prevail for registered mail), the Company may exchange the exchangeable bonds held for Alpha's common shares at the exchange price at that time with the expiry date of the period as the exchange base

date. If the bondholder replies in writing, the Company will recover the exchangeable bond held in cash at the par value of the bond within five business days after the expiry date of the period (i.e., the bond recovery base date).

- XVIII. The bondholder's rights to reverse repurchase:
The reverse repurchase base date of this exchangeable bond for bondholders is the date when the bond has been issued for two years (06/17/2017). The Company will send a "notice of exercise of bondholders' rights to reverse repurchase" to bondholders by registered mail 30 days before the reverse repurchase base date (subject to the register of bondholders on the fifth business day before sending of the "notice of exercise of bondholders' rights to reverse repurchase;" for investors who subsequently obtain this bond through trading or for other reasons, it shall be conducted through announcement), while sending an official letter to TPEx for making a public announcement regarding the exercise bondholders' rights to reverse repurchase of this exchangeable bond. Bondholders may notify the Company's stock affairs agency in writing within 30 days after the announcement (effective upon delivery, and the postmark date shall prevail for registered mail), requesting the Company to redeem the exchangeable bond held in cash based on the par value of the bond, plus accrued premiums (100% of the par value of the bond after full two years (real yield rate at 0%) . After accepting the request for reverse repurchase, the Company shall redeem this exchangeable bond in cash within five business days after the reverse repurchase base date. The date above may be postponed to the next business day if the Taiwan Stock Exchange or Taipei Exchange is closed on the date.
- XIX. All the exchangeable bonds recovered (including those repurchased by the Company through the securities firms) redeemed or exchanged by the Company will be canceled and may not be sold or issued, and the exchange rights attached thereto will be eliminated.
- XX. This exchangeable corporate bond and Alpha's common shares after exchange are all registered. The transfer, registration of changes, pledges, or lost reporting, shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant provisions of the Company Act. Taxation matters are handled in accordance with the tax laws of the time.
- XXI. Alpha's common shares for which this exchangeable bond is exchanged are under the custody of TDCC.
- XXII. The Corporate Trust Department, Chinatrust Commercial Bank is the bondholders' trustee, exercising the power of auditing and supervising the matters related to the Company's issuance of this exchangeable bond on behalf of the bondholders' interests. The bondholders, whether subscribing for the bonds at the time of issuance or buying halfway, agree to grant the trustee full authorization for the matters related to the provisions of the trust contract between the Company and the trustee, the rights and obligations of the trustee, and the issuance and exchange methods. Such authorization shall not be cancelled halfway; the bondholders may check the contents of the contract at any time during business hours at the Company or the trustee's business premises.
- XXIII. The repayment of principal and interest and the exchange matters of this exchangeable bond are carried out by the stock affairs agency.
- XXIV. This exchangeable bond shall not be issued in the physical form in accordance with the provisions of Article 8 of the Securities and Exchange Act.
- XXV. Where the matters are not specified in the regulations regarding the issuance and exchange of the exchangeable bonds, relevant laws and regulations shall prevail.

(I) Information on Exchangeable Bonds

Unit: Thousand shares; NT\$

Type of corporate bond		First time unsecured exchangeable corporate bonds						
Item	Year	Upon issuance	2015	2016	2017	2018	2019	2020
	Number of common shares held for exchange		161,666	145,500	145,478	110,103	109,191	104,480
Exchange price		22.00	22.93	22.31	21.37	20.38	19.36	19.36
Market price of the exchangeable corporate bond	Highest		103.00	109.00	134.80	126.00	132.00	141
	Lowest		96.80	98.30	102.50	100.90	105.00	100
	Average		99.48	103.81	113.55	112.00	117.74	117.27
Date of issuance (placement)		2015.06.17						
Target for exchange		Alpha Network Inc's common shares held by the Company						

Note1: As for June 17,2019, the bondholders converted NT\$299,000,000 in exchange for NT\$19.36 per Alpha Networks Inc. common stock for 15,444,000 shares.

III. Issuance of Preferred Shares: None

IV. Issuance of Depository Receipts: None

V. Status of Employee Stock Option: None

VI. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

VII. Fund Allocation Plans and Implementation: None

Chapter 5. Business Overview

I. Business Activities

(I) Business Scope

1. Major lines of business

The Company sells telecommunications, enterprise, and individual consumer-use network communication systems, equipment, and their components. In recent years, it has also developed cloud application platforms and provided various network application solutions.

2. Weight of business for main offerings

Unit: NT\$ Thousands

Products	The Company		Consolidated company	
	Total sales amount in 2020	Proportion of annual revenue (%)	Total sales amount in 2020	Proportion of annual revenue (%)
1. Network Products	980,422	65.01	15,016,762	98.93
2. Service Revenue	527,632	34.99	162,681	1.07
Total	1,508,054	100.00	15,179,443	100.00

3. Current major products

(1) Switches

The switch completes position identification and data transmission through switching circuits and allows for high-speed transmission bandwidth when ports are connected. It is a network device that provides the message exchange functions between the second layer (L2 data link layer) and the third layer (internet layer).

The product lines can be divided into unmanaged, smart, network managed, chassis, and industrial switches, to provide network equipment solutions to SOHO, SMEs, large enterprises, and telecom companies.

The Data Center switch is the Company's new switch product line, which supports 10G/40G/100G transmission interface to meet the needs of data centers.

(2) Wireless LAN products

A wireless access point (AP) or router is an internet access device for logging in and accessing a wireless network. The wireless network eliminates the need for wiring, which not only provides mobility but also increase the convenience for accessing the internet. The current mainstream product is a router that conforms to IEEE 802.11ac, with a speed of up to 6.9 Gps, while the latest 802.11ax router featuring speeds close to 10Gbps. In addition, the Company has also introduced a series of value-added features for its new routers, including built-in secure home platform, support for wireless mesh network, automatic software update (FOTA), and voice control (Alexa and Google Assistant), which are expected to bring a brand new experience to home networking.

(3) Broadband products

Broadband products refer to wide area network (WAN) transceiver equipment for high-speed internet access. The most common transmission media are copper wire (transmission standards include cameras ADSL, VDSL, VDSL2, and the newer G.fast) and optical fiber (main transmission standards are EPON, GPON, 10G EPON, NG-PON2, and XG(S)-PON). LTE/5G routers via telecom mobile network is also a key project for the Company's future broadband product development.

(4) Digital home appliances

The main products are IP cameras and IoT peripherals, which can be integrated with the Company's cloud management platform for a complete smart home solution. Network cameras include products for home or business uses, as well as indoor or outdoor battery-types. IoT devices include various sensors (such as motion sensors, water sensors, door sensors, etc.), mydlink Mini Wi-Fi Smart Plug, smart home gateways, as well as home automation and home security related products.

(5) Cloud application product solutions

The Company's mydlink cloud platform allows users to integrate all their connected devices and enjoy wide-ranging functions, including "inform", "view", "control", "access", and "share" to satisfy everyone's diverse needs under different network behaviors and habits as the best innovative application model to enter the cloud era.

Nuclias enterprise wireless cloud is the Company's cloud platform solution. It provides SMEs with easy and low-cost setup of networks (including switches, indoor APs, outdoor APs, and firewalls), to satisfy customers' needs. Nuclias can also deliver profitability and enhance the core value of the Company's brand. In addition to the revenue from the equipment sales, the recurring service fees paid by customers will not only raise the Company's gross profit margins but also support the Company's continual investment in innovation and improvement to achieve the vision of sustainable operation.

(6) Other network products

Considering the importance of network security, the Company provides a series of solutions to enterprises to choose from, including firewalls and VPN routers. Other network peripheral products include network cables, USB hubs, USB network cards, and power line bridges.

4. New products and technologies planned to be developed

(1) Switches

As network traffic continues to rise, the switch market will continue to grow. The Company will develop a series of relevant 10G/100GbE Ethernet switches to effectively alleviate the server congestion and congestion backbone network. In addition, Data Center switches, PoE switches (surveillance switches) for camera deployment, and enterprise wireless cloud switches are also under continuous development.

(2) Wireless LAN products

Compared with the limitations of traditional wireless connection technology that limits transmission from one single point to another, a mesh network allows each router to be connected to each other, to avoid a single point of failure causing a greater failure in the wireless network. It not only improves network stability, but also makes network cabling expansion easier. Mesh routers have gradually become the mainstream product, and the Company has also successfully launched a series of new products to meet the market demand. The Company has also launched a cloud network platform for enterprises, which can be combined with a series of switches, wireless APs, and security gateways to meet customers' recent needs for rapid deployment, centralized management, lower thresholds for use, and reducing the burden on information technology personnel.

(3) Broadband access products

In view of the low-price competition from China's emerging suppliers derived from their access to the huge domestic market, the Company will focus on high-end and high value-added products as well as the high demand for software customization as its major development direction. Therefore, the Company will launch a series of products which includes VDSL IAD, G. fast IAD, 11ax VDSL router and 10G PON.

Future growth is expected, as in addition to extending the competitive advantages brought by LTE/5G routers, the Company will invest in the research and development of relevant new

technologies, such as 5G Small Cell.

(4) Digital home products

In addition to IP cameras, the Company has recently developed a series of IoT devices (including sensors, mydlink Mini Wi-Fi Smart Plug, and smart home gateways), which are equipped with an existing cloud management platform and advanced voice assistant (Alexa and Google Assistant) to provide a richer and more interesting, as well as safer user experience. Recently, the Company has shifted its focus to the commercial market and has successively planned a full series of solutions to meet small businesses' various scenarios for application. This will not only increase global distributor stickiness but also enable the Company to gradually break free from low-price competition.

(5) Cloud value-added services

In addition to the mydlink consumer cloud service platform, D-Link is actively developing cloud service platforms for corporate users with a series of wireless cloud APs and cloud switches, in order to improve the depth and breadth of services to increase customer stickiness and surpass competitors. Furthermore, as various AI technologies (such as license plate recognition, vehicle team management, etc.) matures, the Company is working on integrating various technologies with existing cloud services and equipment to enhance the vertical integration of the market and create alternative business opportunities.

(II) Industry Overview

1. Status and Development of the industry

(1) Local area network (LAN)

Given its low-cost and ease of installation, Ethernet still dominates the LAN cabling at the access layer and above globally. With the evolution of mobile internet technology and the demand for greater bandwidth, 10G/100G switches will gradually replace Gigabit switches. The popularization of mobile internet has accelerated the replacement of wired backbone networks. Changing consumer habits have also ushered in further replacement of wireless routers in home networks. In addition to the demand for faster speed, greater stability, and easier settings, the concept of comprehensive home wireless network coverage and simple, modern, designs to blend in in the living room and to pair with various voice assistants, is expected to lead to a huge replacement wave as wireless routers become more dynamic and integrated into home life.

Under government policies of various countries aiming to bridge the digital gap and collaborate with telecom operators to reduce the load on mobile networks, the growth of the public wireless local area network (hot spot Wi-Fi) can be anticipated, with potential multiple times growth in the next five years.

(2) Wide area network

The current broadband internet uses the mainstream ADSL2+ technology and can reach download speeds of up to 24Mbps, while VDSL2 technology can reach download and upload speeds of up to 100Mbps. The next-generation G.fast specifications can reach download and upload speeds of up to 1 Gbps in total.

In addition, to save the cost of optical fiber deployment, various passive optical network (PON) technologies are also thriving (EPON, GPON, GEAPON, and 10G PON). With the increasing popularization of Wi-Fi 6 and mobile 5G, 10G PON, with their advantages of 10 times the download and upload transmission speed and support for Mobile Backhaul, they are expected to quickly take the optical fiber network market by storm as the mainstream in the next generation.

Although LTE is currently the mainstream for wireless wide area communication, 5G will become the key infrastructure as demand for bandwidth increases and technologies such as

AI and big data accelerate promotion of various derived services. In addition to netcom devices that access the internet via the 5G network, technologies such as small cell and mobile edge computing are important areas for industry development.

2. Relevance of Up-, Mid-, and Low- Streams Industry

Semiconductor industry	Telecommunications IC design Telecommunications network chip manufacturing DRAM manufacturing Packaging testing industry	Printed circuit board (PCB) suppliers Passive component suppliers Connectors Power supply	Antenna manufacturing Case manufacturing Cable and wiring industry Other electronic components
Information system and its peripherals suppliers		Telecommunications network equipment suppliers	Research and development Brand marketing
System integrators	Cloud-based services	Electronic product distributors	
Telecommunications and Internet services	Corporate and institutional users	SOHO group and household users	

3. Product development trend and competition

(1) Innovation results and core values over the past three years

A. Various cloud applications and solutions through the D-Link Cloud, which has been developed over many years

At the end of 2011, the Company launched the "D-Link Cloud Series" platform, which was a first in the netcom industry. In recent years, the Company has gradually introduced various applications and integrated commercial solutions to the platform, which has further aligned D-Link Cloud with customers' needs.

The commercial-use Nuclias cloud platform integrates products such as switches, wireless base stations, and security gateways, and allows customers to set up a wireless LAN (hot spot) in a very short time. Nuclias not only lowers the technical threshold for users, reduces the manpower, time and cost required for network management, but also enhances network security.

The Over the Air (OTA) function allows the software in D-Link's products to be upgraded to the latest version at any time to reduce the risk of ever-increasing security vulnerabilities.

B. D-Link security surveillance service solution

The mydlink service solution is centered around surveillance (surveillance equipment), and integrates existing switches, IoT and software into one service cloud platform to allow customers to select, purchase, operate, and maintain security control equipment and systems more conveniently and easily, which in turn significantly saves users' time and cost. Moreover, products of the same brand can avoid product incompatibility and provide users with a more stable security surveillance environment.

C. LTE /5G advanced technology application

The Company's advanced cloud mobile solutions can help mobile operators provide users with ultra-fast internet speeds to allow them to enjoy high-capacity transmission and greater mobility. The integration and innovation of LTE/5G routers and cloud services will

completely overhaul users' perception and habits of using the internet. In the future, users can connect to the internet through various terminal products anytime and anywhere and experience the freedom and fun of authentic high-quality mobile internet access.

(2) Product competition

At present, the leading players in high-end internet products are major internet companies in the United States. Major international companies are leading the technology in the network's core layer, while the Company's strengths lie in the products at the network's aggregation layer and access layer.

Major competitors in corporate networking include Cisco and HP. The Company has led the industry in Ethernet for many years, and has built a complete ecosystem, including product software and hardware R&D, production, technological support, as well as customer education and training. Although facing the threat of low-price competition from Chinese vendors, the Company is still very competitive.

Price wars have resulted in the retail/telecom market for wireless LANs, low-end switches and broadband networks as TP-Link and other low-priced brands developed rapidly in China and emerging countries. In addition to consolidating the supply chain to reduce costs, the Company will enhance its technology and services to gain customer recognition and break free from the price war and the red ocean competition.

(III) Technologies and recent R&D efforts

(1) R&D expenditure in the last two years

Unit: NT\$ Thousands

Year	The Company	Consolidated company
2020	806,888	1,127,417
2019	701,083	1,064,731

(2) Product/system development success and specific results

The Company launches 10 to 20 items of upgraded, improved, and innovative products every quarter. The main product lines in wireless, broadband, SMEs and home networks are all for global leading brands. The main products recently launched include cloud network switches, 2.5Gbps smart switches, enhanced corporate integrated wireless deployment solutions; Covr cross-generation mesh wireless network routers, bridges, and base stations; multifunctional wireless broadband 4G/5G routers; power cord network deployment equipment, bridges and network line power supply equipment; high-resolution two-way network cameras for real-time voice chat, various peripheral components related to smart homes, and cloud network management platforms.

Year	Item
2011	A. Smart TV-related support network multimedia playing function, over-the-top (OTT) service, somatosensory games, and online community functions, such as D-Link Boxee Box, D-Link Yahoo Box, and D-Link Android Box
	B. A new generation of 10G Data Center switches.
	C. mydlink instant online security monitoring technology on iPhone, iPad, and Android Phone.
	D. HD media routers that support wireless transmission of high-definition video and audio.
	E. Smart Antenna, a wireless base station that supports longer transmission distances.
	F. Wireless transmission that supports Intel wireless display to TV.
	G. USB3.0 cards and hubs.
2012	A. The hybrid network power cord wireless router and wireless base station that

Year	Item
	<p>also support 802.11n wireless network and power cord network, with a transmission speed of up to 300Mbps (wireless)/500Mbps (power cord).</p> <p>B. 802.11ac wireless routers and AP and USB/PCIE wireless network cards.</p> <p>C. mydlink cloud network product series, including cloud routing, cloud storage, cloud monitoring.</p> <p>D. Various apps in cloud routing, cloud storage, cloud monitoring on smart phones and tablets.</p> <p>E. mydlink solutions for commercial cloud services. Intelligence video surveillance system (IVS).</p>
2013	<p>A. Baby Cam.: a series of dedicated webcam for baby care.</p> <p>B. High-sensitivity nighttime full-color series network cameras.</p> <p>C. 11ac + 3G + IP cam portable mobile routers.</p> <p>D. mydlink shareport mobile device integrated data access app.</p> <p>E. D-store business linkage solutions.</p> <p>F. The 11ac version of all wireless devices is fully launched.</p>
2014	<p>A. Smart home IoT: Guji Cloud wirelessly connects smart homes with the mydlink cloud platform to provide a complete solution in wireless service, security, and energy conservation to ensure connected operation with mydlink Home app.</p> <p>B. UI and Web UI icons are updated; simple setting can be carried out through with mydlink lite, mydlink home, and QRS app.</p> <p>C. The LTE smart home gateway leads the world with LTE CAT6 (300Mbps), and the 11ac 3x3 router provides VoLTE and WiFi-calling voice services on the OSGi JAVA open platform.</p> <p>D. Logging onto Facebook fan page through Facebook Wi-Fi allows for the free use of Wi-Fi services to enhance interaction with customers.</p> <p>E. Company BYOD certification and authorization solution.</p>
2015	<p>A. Cloud services platform and enterprise cloud equipment.</p> <p>B. A new generation of high-power output PoE switches and metro Ethernet switches.</p> <p>C. mydlink Home series of services and products.</p> <p>D. A new generation of 11ac Wave2 routers.</p> <p>F. 4G LTE machine-to-machine (M2M) and vehicle communication modules.</p>
2016	<p>A. Apple Homekit certified 180 ° IP-CAM.</p> <p>B. Wave 2 MU-MIMO AC1900/2600 °</p> <p>C. Business cloud for telecom.</p> <p>D. Launched smart industrial switches. Tri-band AP with the Smart Antenna function.</p>
2017	<p>A. Mesh is integrated into the switches and routers.</p> <p>B. A new generation of digital camera product groups, such as LTE, battery, and dual-eye camera.</p> <p>C. AI-related technologies, e.g., face recognition are applied to digital camera products. 5G generation product planning and vertical market exploration.</p>
2018	<p>A. Data Center switches.</p> <p>B. Nuclias enterprise cloud management system that supports Hot Spot AP, switches, and cameras.</p> <p>C. Exploration of 5G mobile communication broadband gain routers and 5G Small Cell technology.</p>

Year	Item
	<p>D. Vertical integration of artificial intelligence, facial recognition, license plate recognition, camera, network storage, 4G router, cloud management systems, toll systems, and complete solutions.</p> <p>E. Mesh home wireless routers and secured home wireless routers.</p> <p>F. Complete smart home solutions.</p>
2019	<p>A. Cloud switches.</p> <p>B. 2.5Gbps smart switches</p> <p>C. New Covr series of cross-generation mesh wireless network routers.</p> <p>D. Door and window sensors, motion detection sensors, and smart switches that support Amazon Echo Plus.</p> <p>E. LTE M2M VPN/Wi-Fi wireless routers.</p> <p>F. 5G NR wireless routers and MiFi (sub-6GHz)</p>
2020	<p>A. The wireless router series adopting the 802.11ax wireless standard (Wi-Fi 6)</p> <p>B. A variety of 5G mobile communication wireless routers including DWP-1020 5G outdoor CPE, DWR-978 5G wireless router, and DWR-2101 5G Wi-Fi 6 wireless router.</p> <p>C. Group Temperature Screening Camera Kit: DCS-9500T</p> <p>D. EasyMesh™ wireless router COVR-1100</p> <p>E. New smart network management switches: DXS-1210 series and DGS-1520 series.</p> <p>F. Full HD Pan & Tilt Pro Wi-Fi Camera, DCS-8526LHa</p> <p>G. The Outdoor Wi-Fi Smart Plug, DSP-W320</p>

(IV) Long- and Short-term Business Development Plans

(1) Short-term development strategy

1. Form alliances with high-quality ODMs to establish a controllable supply chain system with close relationships.

"D-Link" is a rare netcom brand in Taiwan, with marketing channels reaching more than 70 countries around the world. The Company will be committed to forming in-depth strategic alliances with high-quality netcom ODMs to distribute advanced products to the distribution channels to maximize the benefits of the brand.

2. Redefine D-Link's brand image and enhance brand value from three aspects, namely performance, cost, and corporate identity (CI).

The Company's products will feature "lowest cost" and "outstanding and user-satisfied performance" and will feature "product appearance and user experience with CI" to gradually win over customers and polish D-Link's brand image.

(2) Mid- and long-term development strategy

1. Achieve an extremely simplified installation and management of netcom products with cloud computing as the main pillar. For general consumers and SMEs, the operation and maintenance (installation, maintenance, upgrade and management) of netcom products are still quite a challenging task. The Company's mydlink and Nuclias cloud systems are the most user-friendly systems to use and manage. In the future, "cloud functions" and "scope of covered products" will be expanded to fully achieve the concept of convenient netcom services.

2. Develop stable and advanced netcom products with excellent radio frequency and high-speed signal technology. Netcom products have entered a new era of intensive technologies, such as 10Gbps transmission and millimeter wave media. Radio frequency and high-speed signal technology will be the Company's advantages to surpass its competitors. The Company

will continue to develop in this field in the future and maintain its leading position in both technology and products.

3. Deliver enterprise solutions based on application sites. In addition to focusing on the development and sales of each product, the Company will integrate netcom software and hardware systems to create solutions according to different scenarios for application. 5G mobile communication is not only suitable for mobile phone applications but is also designed with the Internet of Everything (IoE) specifications. In the initial stage, the Company will introduce 5G to the small manufacturers and vertically integrate micro base stations, MEC, MES, ERP, and other systems, to become the best choice for small manufacturers in automation transformation.

II. Market and Sales Overview

(I) Market analysis

(1) Sales regions of major products

Unit: NT\$ Thousands

Geographical region \ Year		2019		2020	
		Amount	Percentage (%)	Amount	Percentage (%)
Export sales	Asia	628,404	36.93	638,934	42.37
	America	7,651	0.45	7,114	0.47
	Europe	89,816	5.28	96,885	6.42
	Sub-Total	725,871	42.66	742,933	49.26
Internal		975,676	57.34	765,121	50.74
Total		1,701,547	100.00	1,508,054	100.00

Note: To present the operating figures of the Company.

Unit: NT\$ Thousands

Geographical region \ Year		2019		2020	
		Amount	Percentage (%)	Amount	Percentage (%)
Export sales	America	2,222,383	13.07	2,213,506	14.58
	Europe	3,382,293	19.90	3,110,121	20.49
	Other	10,415,696	61.29	9,093,016	59.90
	Sub-Total	16,020,372	94.26	14,416,643	94.97
Domestic sales		975,676	5.74	762,800	5.03
Total		16,996,048	100.00	15,179,443	100.00

Note: Only the consolidated figures of the Company are demonstrated.

(2) Overview of supply and demand and projected growth

1. Digital cameras and IoT

Among all Artificial Intelligence of Things (AIoT) devices, digital cameras are the only devices that can receive images and can be considered the hub of smart home networks. Coupled with new technologies, such as AI, machine learning, and voice control, digital cameras will occupy a key position in total solutions in future smart home applications.

Competition in the digital camera market has heated up. Various brands have successively launched AI wireless network cameras with smart image analysis functions. Affordable prices, the rise of mobile phones and various cloud applications and services, and the increased awareness of security surveillance are expected to keep the market's compound annual growth rate high. As the demand for home office and remote monitoring grows, not only will the advancement of cloud applications and a wave of device replacement continue, but also the deployment of broadband infrastructure and LTE/5G commercial networks in developing countries is expected to continue to grow in the next few years.

In the past few years, the Company has fully dedicated its resources to integrate various advanced technologies to create a more complete and user-friendly product line, and together with a series of IoT devices, has strengthened product security and provided cloud platforms to interface with third-party software applications. The Company's digital cameras are market leaders in the industry.

2. Switches

In recent years, the enterprise switch market has been limited by the global economic slowdown and the low capital expenditure budget has also slowed growth of the smart

switches as the market becomes increasingly saturated. There is a clear trend of low-priced smart switches replacing high-priced managed switches. On the other hand, the demand for enterprise virtual servers and IT outsourcing, as well as enterprise or public Wi-Fi AP deployment and expansion have resulted in substantial growth of smart and PoE switches. Overall, the supply and demand of the SME switch market have showed moderate growth.

With the emergence of data centers, public/private clouds, 5G mobile broadband, IoT, e-sports, AI, edge computing applications, etc., the demand for network bandwidth is bound to surge; and the switch market, which is the backbone of the network, will also have an opportunity to usher in a new wave of significant growth.

3. Routers

The router is a necessary device for the home to access the internet portal. In addition to China's TP-Link that has swept the global market at low prices, emerging second-tier vendors, mobile phone equipment suppliers (such as ASUS and Xiaomi), online service providers (Alibaba, Amazon, and Google), and local telecom service providers have all stepped into this battlefield. Coupled with the original netcom equipment companies, the competition in the router market is intense.

In response to the requirement of mobile phones for indoor internet access, simple settings and comprehensive Wi-Fi coverage at home have become new product requirements. The Company has successively launched several high-quality mesh routers in the past two years which have begun to drive product sales. The Company's core software for routers has also demonstrated unique advantages and values, including speeding up the time to market, achieving differentiated functions, and supporting the telecom systems in various countries. Despite the stiff competition, the Company can still maintain a certain degree of competitiveness due to its arrangements in sales and distribution channels.

Due to the limited bandwidth of copper wires, global telecom companies have turned to optical fiber networks in response. However, as the previous generation of 2.5Gbps GPON optical fiber network is insufficient to meet the demand, the new generation of 10Gbps will gradually mature. A market research agency estimates that the market share of 10G PON will reach 55% by 2023, with a compound annual growth rate of 195% from 2019 to 2023. The Company has been deeply established in the wired broadband market for nearly two decades and has built long-term close cooperative relationships with major telecom companies around the world. The Company will seize the opportunity arising from the rise of 10G PON actively pursue the business opportunities from telecom transformations.

4. 5G

Large volumes of the Company's LTE routers have been shipped to telecom companies in various countries. With the advent of the 5G era, in addition to continuing to work closely with telecom companies on 5G routers, the Company collaborates with SIs to promote the routers to the vertical application market. The Company has also invested in relevant new technologies, such as 5G Small Cell/MEC, and actively integrated third-party software resources to provide application solutions to various scenarios. The Company will proceed in a cautious manner in the 5G era.

(3) Competitive niche

1. Industry leading cloud service platforms and continuous introduction of forward-looking innovative products will continue to create product differentiation and market segmentation.

2. Overall complete netcom product lines and solution offerings with core advantages that are difficult to replace.
3. Broad groundwork of sales and service channels around the world, with the advantages of immediate local services and production as well as customization.
4. Collaboration with the world's leading companies, such as Apple, Google, Amazon and McAfee, to continue launching innovative and value-added netcom-related products.

(4) Favorable and unfavorable factors for long-term development and countermeasures

1. Favorable factors

A. Global netcom market has potential for further development

According to a report by Cisco, a leading company in netcom, global internet users will increase from 3.9 billion to 5.3 billion from 2018 to 2023, with a compound annual growth rate of 6%, while global mobile communications users will increase by 600 million people and terminal internet devices will increase by 10.9 billion units. The netcom industry and market are booming with unlimited business opportunities.

B. Work closely with upstream chip suppliers to highlight brand value with differentiated software

The Company will form strategic alliances with major netcom chip suppliers to strive to use the first batch of new chips adopted to launch its products in the market in the shortest possible time. The Company can provide software with excellent performance to increase customer stickiness to the brand.

C. Global operations with local services

D-Link has established subsidiaries with more than 120 sales offices in more than 50 countries around the world and has integrated global resources to provide local services.

D. Flexible and efficient supply chains

To reduce manufacturing costs and increase shipment flexibility, the current supply chains are in Taiwan and China. In the future, the supply chains can be exported to countries that require "local production" through the turnkey factories at any time to comply with local regulations.

E. Understanding customer needs

The Company has built the mydlink platform, a smart home cloud environment with more than 6 million users, which can further provide customers with the best application services.

F. Cross-industry strategic alliance

D-Link has actively worked with major telecom/distributors/third-party software suppliers around the world as strategic partners to create an advantageous win-win outcome for growth and mutual benefit.

2. Unfavorable factors

A. Intense market competition and pricing pressure

New competitors are gradually entering the market, which leads to price wars and negative impact to the Company's profit.

Countermeasures:

- 1) Reduce costs through larger volumes from reducing the number of suppliers as well as reducing and concentrating the number of product models.
- 2) Avoid price competition by offering high overall service quality by strengthening the service provided by branches, investing in e-commerce and reducing the layers of distribution.
- 3) Develop a series of D-Link cloud high value-added products, provide differentiated products, and create market segmentation to break free from the price and red ocean

competition.

4) Control the core netcom technology to improve product quality and respond to market demand quickly.

B. Long supply chain

Supply conditions are limited by the production capacity of upstream suppliers. It is difficult to control the delivery schedule and inventory of front-line orders.

Countermeasures:

1) Respond to any unexpected market events through flexible supply chain management.

2) Seek multiple supply partners to avoid delays by a few manufacturers affecting the Company's delivery schedule.

3) Keep adequate inventory of critical components to avoid shortages. Set up a shipping hub to manage a limited number of critical products to increase flexibility.

(II) Major applications and production process of the major products

(1) Key applications of major products

Major Products	Key Applications
Switch	Relieving network bandwidth to achieve the purpose of fast data transmission
Networking Equipment	Connecting and integrating multiple devices between different networks
Digital Subscriber Line Devices	Providing broadband access to telephone lines
Wireless Network Equipment	Regional network composed of wireless transmission technology
Home Network Equipment	Providing home computer and peripheral network equipment through the Internet and telephone lines
Digital Home Equipment	Providing home digital devices and wireless home security automatic control devices for audio-visual multimedia applications
Network Security Equipment	Providing network transmission security
Optical Access Equipment	Relieving the network bandwidth to achieve the purpose of data security and fast transmission

(2) Production process of major products

After the demerger from Alpha Networks Inc. in 2003, the Company no longer engaged in the manufacture of products. All production are outsourced.

(III) Supply of primary raw materials

As the Company no longer engaged in the manufacturing of products, the supply of raw materials is not applicable.

(IV) Information on major suppliers and clients

(1) Information of important suppliers and clients in the most recent two years: The consolidated Company did not have any clients whose individual amount accounted for more than 10% of the total sales revenue in 2019 and 2020.

(2) Major purchasers for the past two years:

Unit: NT\$ Thousands

Unit: NT\$ Thousands

Item	2019				2020			
	Name	Amount	%	Relation to DLC	Name	Amount	%	Relation to DLC
1	Cameo Communications, Inc.	1,613,073	13	The Company is the director of the entity	Cameo Communications, Inc.	1,445,981	15	The Company is the director of the entity
2	Alpha Networks Inc.	2,227,506	19	Affiliated company of the Company	Alpha Networks Inc.	1,399,422	14	Affiliated company of the Company (Note3)
3	Company A	1,844,847	16		Company A	1,009,207	10	
4	Other	6,195,736	52		Other	6,026,861	61	
	Net purchase	11,811,162	100		Net purchase	9,881,471	100	

Analysis of changes: The major suppliers for the two periods did not change much, so analysis is not conducted.

Note 1: Please specify the name and total trade amount of major suppliers that have accounted for at least 10% of procurement in the past two years and the proportion to the total purchase. However, for those suppliers whose name cannot be disclosed according to the contract or the trade counterpart is a non-related party individual, a code name can be used instead.

Note 2: Only the consolidated figures are shown.

Note 3: On November 30, 2020 the Company sold all the shares of Alpha Networks Inc., upon which became a non-related party.

(V) Table of production volume and value in the most recent two years: N/A

(VI) Sales volume in the most recent two years

Unit: NT\$ Thousands

Year Sales value and volume	2019				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major products								
Netcom products	633,627	939,547	34,988,448	15,908,256	495,007	724,647	38,529,917	14,292,115
Revenue from rendering of services	—	36,129	—	112,116	—	38,153	—	124,528
Total	633,627	975,676	34,988,448	16,020,372	495,007	762,800	38,529,917	14,416,643

Note: Only the consolidated figures of the Company are demonstrated.

III. Number of Employees, Average Years of Service, Average Age, and Education Distribution Ratio of Employees in the Last Two Years up to the Printing Date of this Annual Report

Year		2019	2020
Number of employees	Direct Labor	0	0
	Indirect Labor	751	717
	Total	751	717
Average age		38.60	39.78
Average year of service (years)		6.36	6.73
Education distribution ratio (%)	Ph.D.	0.40	0.84
	Master	36.42	35.43
	Bachelor	61.12	60.66
	High school	3.06	3.07
	Below high school	0	0

IV. Environmental Protection Expenditures

The total amount of losses (including compensation) and penalties caused by environment pollution in the most recent year up to the printing date of this annual report: None.

V. Labor-management Relations

(I) Implementation of employee welfare system

(1) Employee welfare measures

In addition to employee insurance in accordance with the government's regulations, the Company provides free employee group insurance and family preferential group insurance, so that employees can work without worries. In order to improve employees' health and well-being, the Company not only provides comfortable and novel workplace in the Neihu office building but also sets up an employee restaurant, coffee bar, outdoor coffee shop, vending machines, employee lounge and employee fitness center, basketball court, aerobics dance classroom, and various fitness equipment for employees. The D-Link Employee Welfare Committee is responsible for various employee welfare services, including establishing clubs to organize various activities, company large-scale events for gathering team cohesiveness, and providing maternity subsidies, birthday gift coupons, cash gifts (gift certificates) for the three main festivals, and emergency assistance.

(2) Continuing education and training

The Company arranges education and training for new employees and the on-the-job training for employees every year and announces the information of academic institutions' courses for continuing education from time to time, to facilitate employees to obtain relevant information.

(3) Retirement system

The Company's retirement matters are handled in accordance with the relevant provisions of the Labor Standards Act, and the new system as stipulated in the Labor Pension Act launched in 2005. The Company's employees may choose the old or new pension systems based on their own preference. For the old system, the Labor Pension Supervision Committee is established and a "Labor Retirement Reserve Account" is set up according to the law, to which a fund is appropriated monthly as per regulations.

The Company amended its employee retirement regulations in April 2020, which were approved by the Department of Labor, Taipei City Government in April 2020.

(4) Labor-management agreements

Since the establishment of the Company, it has attached great importance to labor-management harmony, employee rights and interests, and employee benefits. Therefore, the Company's labor-management relationship has always been harmonious and positive. Both parties have reached consensus through communication.

(5) Protection measures for employees' rights and interests

The Company's protection of employees' rights and interests, in addition to the actual implementation in accordance with the relevant laws and regulations, the management will improve the software and hardware facilities based on the employees' needs. In a year where there is a surplus, employees are also paid with compensation according to The Company's Articles of Incorporation, so that employees can share the results of the operations.

(6) Protection measures for work environment and employees' personal safety

In addition to following the regulations and guidelines of the central competent authority, the Company has passed the certification of the ISO 9001 quality management system, ISO 14001 environmental management system (certificate validity period from 2018.10.29 to 2021.10.29), and the latest version of the ISO 45001 occupational safety and health management system (certificate validity period from 2019.01.31 to 2022.01.30). Through the certification by these professional organizations, the Company's environmental maintenance and employees' safety and health management at work are strengthened to achieve the protection of the work environment and

employees' personal safety and health. Relevant operations are as follows:

- 6.1 Physical examinations for new employees and health checkup for existing employees
- 6.2 Identification, assessment, and control of work environment or job hazards.
- 6.3 Management of machinery, equipment, or devices
- 6.4 Labeling and identification of hazardous materials
- 6.5 Sampling strategy planning and sample identification for hazardous operating environments
- 6.6 Matters concerning safety assessment over processes or construction in hazardous workplaces
- 6.7 Matters concerning procurement management, contract management, and change management
- 6.8 Formulation of safety and health work standards
- 6.9 Regular inspection, key inspection, job check, and on-site inspection tour
- 6.10 Safety and health education and training
- 6.11 Management of personal protective equipment
- 6.12 Matters concerning health examination, health management, and health promotion
- 6.13 Collection, sharing, and application of safety and health information
- 6.14 Emergency response measures and training
- 6.15 Investigation, handling, and statistical analysis of occupational disasters, false alarms, and events affecting physical and mental health
- 6.16 Measures for safety and health management recording and performance evaluation

(II) Total losses arising from employee-employer disputes for the most recent fiscal year up to the printing date of this annual report: None.

(III) Estimated losses and response measures that may occur in the future: None.

VI. Important Contracts: None.

Chapter 6 Financial Highlights

I. Condensed Balance Sheet, Statement of Comprehensive Income and CPA's Audit Opinion in the Most Recent Five Years

(I) Condensed Balance Sheet—Based on IFRS

Unit: NT\$ Thousands

Item	Year	Most Recent Five-Year Financial Information (Note 1)				
		2016	2017	2018	2019	2020
Current assets		1,771,487	1,370,935	1,487,687	987,330	2,243,494
Property, plant, and equipment		836,682	808,375	751,255	745,800	752,385
Intangible assets		166,168	130,068	151,887	122,932	74,300
Other assets		12,621,169	11,071,928	10,982,572	10,200,988	8,878,933
Total asset value		15,395,506	13,381,306	13,373,401	12,057,050	11,949,112
Current liabilities	Before distribution	5,015,014	3,436,322	3,452,468	2,718,198	1,731,164
	After distribution	5,207,621	3,436,322	3,582,867	2,718,198	1,926,763
Non-current liabilities		881,196	942,920	721,446	865,438	958,453
Total liabilities	Before distribution	5,896,210	4,379,242	4,173,914	3,583,636	2,689,617
	After distribution	6,088,817	4,379,242	4,304,313	3,583,636	2,885,216
Equity attributable to shareholders of the parent		9,499,296	9,002,064	9,199,487	8,473,414	9,259,495
Share capital		6,519,961	6,519,961	6,519,961	6,519,961	6,519,961
Capital surplus		1,736,948	1,588,696	1,669,905	1,598,807	1,523,313
Retained earnings	Before distribution	2,107,941	1,904,127	2,324,141	1,759,933	2,825,412
	After distribution	2,107,941	1,904,127	2,258,942	1,759,933	2,629,813
Other equity interest		(768,699)	(992,808)	(1,314,520)	(1,405,287)	(1,606,191)
Treasury stock		(96,855)	(17,912)	—	—	—
Non-controlling interest		—	—	—	—	—
Total equity	Before distribution	9,499,296	9,002,064	9,199,487	8,473,414	9,259,495
	After distribution	9,306,689	9,002,064	9,069,088	8,473,414	9,063,896

Note 1: The financial data for the most recent five fiscal years has been audited by CPAs.

(II) Condensed Individual Income Statement—Based on IFRS

Unit: NT\$ Thousands

Item	Year	Most Recent Five-Year Financial Information (Note 1)				
		2016	2017	2018	2019	2020
Operating revenue		2,081,267	1,813,707	1,726,707	1,701,547	1,508,054
Gross profit		1,276,892	1,097,498	1,077,499	902,899	868,868
Operating profit (loss)		(218,159)	(152,985)	(263,323)	(427,246)	(628,024)
Non-operating income and expenses		(910,276)	(97,073)	380,575	(86,309)	1,942,807
Net income before tax		(1,128,435)	(250,058)	117,252	(513,555)	1,314,783
Net income from continuing operations		(953,572)	(193,451)	106,374	(508,327)	1,239,925
Loss from discontinued operations		—	—	—	—	—
Net income (loss) in this period		(953,572)	(193,451)	106,374	(508,327)	1,239,925
Other comprehensive income (loss) in this period (net value after tax)		(100,993)	(215,719)	(92,412)	(77,652)	(199,443)
Total comprehensive income		(1,054,565)	(409,170)	13,962	(585,979)	1,040,482
Net income attributable to shareholders of the parent		(953,572)	(193,451)	106,374	(508,327)	1,239,925
Net income attributable to non-controlling interests		—	—	—	—	—
Total comprehensive income attributable to owners of the parent		(1,054,565)	(409,170)	13,962	(585,979)	1,040,482
Total comprehensive income attributable to non-controlling interests		—	—	—	—	—
Earnings per share		(1.50)	(0.30)	0.16	(0.78)	1.90

Note 1: The financial data for the most recent five fiscal years has been audited by CPAs.

(III) Condensed Consolidated Balance Sheet—Based on IFRS

Unit: NT\$ Thousands

Item	Year	Most Recent Five-Year Financial Information (Note 1)				
		2016	2017	2018	2019	2020
Current assets		13,028,983	11,584,444	12,329,689	10,161,487	12,551,922
Property, plant, and equipment		1,271,706	1,212,232	1,101,557	1,081,754	1,029,671
Intangible assets		672,010	603,109	622,270	586,308	511,329
Other assets		4,418,197	3,804,577	3,553,307	3,881,461	1,857,308
Total asset value		19,390,896	17,204,362	17,606,823	15,711,010	15,950,230
Current liabilities	Before distribution	9,123,364	7,406,818	7,663,344	5,937,479	5,346,116
	After distribution	9,315,971	7,406,818	7,793,743	5,937,479	5,541,715
Non-current liabilities		336,942	389,774	326,547	847,492	863,759
Total liabilities	Before distribution	9,460,306	7,796,592	7,989,891	6,784,971	6,209,875
	After distribution	9,652,913	7,796,592	8,120,290	6,784,971	6,405,474
Equity attributable to shareholders of the parent		9,499,296	9,002,064	9,199,487	8,473,414	9,259,495
Share capital		6,519,961	6,519,961	6,519,961	6,519,961	6,519,961
Capital surplus		1,736,948	1,588,696	1,669,905	1,598,807	1,523,313
Retained earnings	Before distribution	2,107,941	1,904,127	2,324,141	1,759,933	2,825,412
	After distribution	2,107,941	1,904,127	2,258,942	1,759,933	2,629,813
Other equity interest		(768,699)	(992,808)	(1,314,520)	(1,405,287)	(1,609,191)
Treasury stock		(96,855)	(17,912)	—	—	—
Non-controlling interest		431,294	405,706	417,445	452,625	480,860
Total equity	Before distribution	9,930,590	9,407,770	9,616,932	8,926,039	9,740,355
	After distribution	9,737,983	9,407,770	9,486,533	8,926,039	9,544,756

Note 1: The financial data for the most recent five fiscal years has been audited by CPAs.

(IV) Condensed Consolidated Income Statement—Based on IFRS

Unit: NT\$ Thousands

Item	Year	Most Recent Five-Year Financial Information (Note 1)				
		2016	2017	2018	2019	2020
Operating revenue		22,921,798	19,316,079	19,383,203	16,996,048	15,179,443
Gross profit		6,016,963	5,198,754	5,601,988	4,739,532	4,775,295
Operating profit (loss)		(855,365)	(457,690)	248,971	(384,756)	80,226
Non-operating income and expenses		65,991	332,462	48,426	95,203	1,416,500
Net income (loss) before tax		(789,374)	(125,228)	297,397	(289,553)	1,496,726
Net income (loss) from continuing operations in this period		(909,666)	(172,082)	145,453	(441,741)	1,310,560
Loss from discontinued operations		—	—	—	—	—
Net income (loss) in this period		(909,666)	(172,082)	145,453	(441,741)	1,310,560
Other comprehensive income (loss) in this period (net value after tax)		(120,250)	(224,928)	(115,769)	(97,830)	(235,153)
Total comprehensive income		(1,029,916)	(397,010)	29,684	(539,571)	1,075,407
Net income attributable to shareholders of the parent		(953,572)	(193,451)	106,374	(508,327)	1,239,925
Net income attributable to non-controlling interests		43,906	21,369	39,079	66,586	70,635
Total comprehensive income attributable to owners of the parent		(1,054,565)	(409,170)	13,962	(585,979)	1,040,482
Total comprehensive income attributable to non-controlling interests		24,649	12,160	15,722	46,408	34,925
Earnings per share		(1.50)	(0.30)	0.16	(0.78)	1.90

Note 1: The financial information for the most recent five years has been audited by CPAs.

(II) Information on CPAs for the most recent five years and the audit opinion

Year	Name of CPA	Audit opinion
2016	Kao, Wei-Chuan and Pao-Lien Chou	Unqualified opinion
2017	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)
2018	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)
2019	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)
2020	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)

II. Financial Analyses for the Past Five Fiscal Years

(I) Comprehensive analysis of standalone financial information (IFRS):

Item (Note 3)		Year		Financial analysis for the past five fiscal years (Note 1)				
		2016	2017	2018	2019	2020		
Financial structure %	Ratio of liabilities to assets	38.3	32.73	31.21	29.72	22.51		
	Ratio of long-term capital to property, plant, and equipment	1,135.35	1,113.60	1,224.55	1,136.15	1,230.69		
Solvency %	Current ratio	35.32	39.90	43.09	36.32	129.59		
	Quick ratio	32.5	37.04	39.01	31.18	121.11		
	Times interest earned ratio	(35.00)	(12.31)	7.24	(42.18)	148.76		
Operating ability	Receivables turnover rate (times)	4.74	5.27	7.60	6.27	5.33		
	Average days for cash receipts	77	69.25	48.02	58.21	68.48		
	Inventory turnover rate (times)	5.13	6.01	6.24	6.20	4.39		
	Payables turnover rate (times)	3.10	3.22	3.82	3.60	3.22		
	Average days for sale of goods	71.15	60.73	58.49	58.87	83.14		
	Turnover rate for property, plant, and equipment (times)	2.47	2.21	2.21	2.27	2.01		
	Total assets turnover rate (times)	0.13	0.13	0.13	0.13	0.13		
Profitability	Return on asset (%)	(5.80)	(1.24)	0.88	(3.92)	10.39		
	Return on equity (%)	(9.47)	(2.09)	1.17	(5.75)	13.98		
	Ratio of income before tax to paid-in capital (%)	(17.31)	(3.84)	1.80	(7.88)	20.17		
	Net profit ratio (%)	(45.82)	(10.67)	6.16	(29.87)	82.22		
	Earnings per share (NT\$)	(1.50)	(0.30)	0.16	(0.78)	1.90		
Cash flow	Cash flow ratio (%)	(Note 2)	11.37	10.82	13.93	(Note 2)		
	Cash flow adequacy ratio (%)	47.62	46.55	44.68	90.47	53.58		
	Cash re-investment ratio (%)	(Note 2)	1.82	3.48	2.43	(Note 2)		
Leverage	Operating leverage	0.38	0.14	0.56	0.72	0.83		
	Financial leverage	0.87	0.89	0.95	0.97	0.99		

Analysis of financial ratio variance for the last two years:

- (1) **Decrease in liabilities to assets ratio:** Profits from divestment of long-term investments accounted for using equity method, resulting in increased cash and approximate cash.
- (2) **Increase in current ratio and quick ratio:** Resulting from increased cash and cash equivalents and decreased short-term borrowing and current liabilities.
- (3) **Increase in interest coverage ratio:** Mainly due to increase in net income before tax in 2020.
- (4) **Decrease in inventory turnover rate:** Due to the decrease in sales in 2020 but the inventory level was the same as 2019.
- (5) **Increase in average days for sale of goods:** Resulting from decreased inventory turnover rate in 2020.
- (6) **Increase in ratio of return on asset, ratio of return on equity, ratio of income before tax to paid-in capital, ratio of net profit and earnings per share:** Increase in net profit before and after tax in 2020.
- (7) **Decrease in cash flow adequacy ratio:** Due to a decrease in cash flows from operating activities in the last five years of 2020

(II) Comprehensive Analysis of Consolidated Financial Information (IFRS):

Item (Note 3)		Financial analysis for the past five fiscal years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure %	Ratio of liabilities to assets	48.79	45.32	45.38	43.19	38.93
	Ratio of long-term capital to property, plant, and equipment	780.89	776.07	873.03	825.14	945.97
Solvency %	Current ratio	142.81	156.40	160.89	171.14	234.79
	Quick ratio	106.79	111.29	117.27	120.08	185.03
	Times interest earned ratio	(22.6)	(4.59)	13.33	(6.16)	53.92
Operating ability	Receivables turnover rate (times)	4.24	3.84	4.15	4.09	4.37
	Average days for cash receipts	86.08	95.05	87.95	89.24	83.52
	Inventory turnover rate (times)	3.28	3.28	3.31	3.13	3.13
	Payables turnover rate (times)	4.02	3.91	4.01	3.81	3.68
	Average days for sale of goods	111.28	111.28	110.27	116.61	116.61
	Turnover rate for property, plant, and equipment (times)	18.00	15.55	16.75	15.57	14.38
Profitability	Total assets turnover rate (times)	1.13	1.06	1.11	1.02	0.96
	Return on asset (%)	(4.29)	(0.77)	0.90	(2.28)	8.44
	Return on equity (%)	(9.09)	(2.00)	1.12	(5.48)	13.29
	Ratio of income before tax to paid-in capital (%)	(12.11)	(1.92)	4.56	(4.44)	22.96
	Net profit ratio (%)	(4.16)	(1.00)	0.55	(2.99)	8.17
Cash flow	Earnings per share (NT\$)	(1.5)	(0.30)	0.16	(0.78)	1.90
	Cash flow ratio (%)	7.57	0.45	12.77	0.78	17.62
	Cash flow adequacy ratio (%)	42.40	18.45	53.93	193.65	251.89
Leverage	Cash re-investment ratio (%)	4.35	(Note 2)	8.88	(Note 2)	8.28
	Operating leverage	0.47	0.10	2.45	0.03	5.18
	Financial leverage	0.96	0.95	1.11	0.90	1.54

Analysis of financial ratio variance for the last two years:

- (1) **Increase in current ratio and quick ratio:** Disposed equity of affiliated company accounted for using equity method resulted in increased cash.
- (2) **Increase in interest coverage ratio:** Mainly due to increase in net income before tax in 2020.
- (3) **Increase in ratio of return on asset, ratio of return on equity, ratio of income before tax to paid-in capital, ratio of net profit and earnings per share:** Increase in net profit before and after tax in 2020.
- (4) **Increase in ratio of cash flow and ratio of cash re-investment:** Mainly due to increase in net operating income in 2020.
- (5) **Increase in ratio of cash flow adequacy:** Due to increase in cash flows from operating activities in the last five years of 2020
- (6) **Increase in operating leverage:** Due to a decrease in variable costs in 2020.

Note 1: The financial information for the most recent five fiscal years has been audited by CPAs using IFRS.

Note 2: The cash re-investment ratio is negative, and therefore a cash flow analysis is not applicable.

Note 3: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Financial structure

- (1) Liability to asset ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total net equity + Non-current liabilities)/Net property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
 - (3) Interest coverage ratio = Income before income tax and interest expenditure/Interest expenditures for this period.
 3. Business capability
 - (1) Accounts Receivable turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
 - (2) Average collection days = 365/Accounts Receivable turnover rate.
 - (3) Inventory turnover = Cost of Sales/Average inventory value.
 - (4) Accounts Payable turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
 - (5) Average sales days = 365/Inventory turnover ratio.
 - (6) Property, plant, and equipment turnover ratio = Net sales/Average net property, plant, and equipment.
 - (7) Total asset turnover ratio = Net sales/Average total property, plant, and equipment.
 4. Profitability
 - (1) Return on assets = [Gain (Loss) after tax + Interest expenses x (1 - itax rate)]/Average total asset value.
 - (2) Return on stockholders' equity = Net income (loss)/Average total equity.
 - (3) Net profit margin = Net gain (loss) after tax/Net sales.
 - (4) Earnings per share = (Net income (loss) attributable to owners of the parent company - preferred stock dividend)/Weighted average number of shares outstanding. (Note 4)
 5. Cash flow volume
 - (1) Cash flow ratio = Net cash from business activities/Current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/ (Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.
 - (3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/ (Gross amount of property, plant, and equipment + Long-term investments + Other non-current assets + Business capital). (Note 5)
 6. Leverage
 - (1) Operating leverage ratio= (Net operating revenue - variable operating costs and expenses)/operating income (Note 6).
 - (2) Degree of financial leverage (DFL) = Operating profit/ (Operating profit - Interest expenses).

Note 4: Special attention shall be paid to the following matters when using the formula of Earnings Per Share above:

1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.
3. Where retained earnings or capital surplus are transferred to common stocks,

retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.

4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

Note 5: Special attention shall be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflow to annual capital investment.
3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
5. Gross property, plant, and equipment refer to total property, plant, and equipment before the accumulated depreciation is subtracted.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 7: In the case of a company whose shares have no par value or a par value other than NT\$10, any calculations that involve paid-in capital ratio shall be replaced with the equity ratio belonging to the owner of the parent company, as shown in the balance sheet.

III. Audit Committee's Review Report on the 2020 Financial Report

D-Link Corporation
Audit Committee's Review Report

The 2020 business report and financial statements, which were agreed upon the Audit Committee and resolved by the Board, were audited by the CPAs Chou, Pao-Lien and Hsieh, Chiu-Hua of KPMG, and a review report was issued.

In addition, the Board of Directors has prepared the Company's 2020 Business Report, and the proposal for earnings appropriation. These have been reviewed and determined to be correct and accurate by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Best regards,

2021 General Shareholders' Meeting of D-Link Corporation

Convener of the Audit Committee: Richard Chen

2021.03.17

IV. Financial Report for the Most Recent Year

Please refer to pages 112 to 201 of this annual report.

V. Individual Financial Report Audited by CPAs for the Most Recent Year

Please refer to pages 202 to 302 of this annual report.

VI. Impact of Financial Difficulties of the Company and Affiliated Companies on the Financial Position of the Company in the Most Recent Year, up to the Printing Date of this Annual Report: None.

Chapter 7 Financial Status, Operation Results and Risk Management

I. Financial Position- Comparison Analysis

Unit: NT\$ Thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Current assets	10,161,487	12,551,922	2,390,435	24
Property, plant, and equipment	1,081,754	1,029,671	(52,083)	(5)
Intangible assets	586,308	511,329	(74,979)	(13)
Other assets	3,881,461	1,857,308	(2,024,153)	(52)
Total asset value	15,711,010	15,950,230	239,220	2
Current liabilities	5,937,479	5,346,116	(591,363)	(10)
Non-current liabilities	847,492	863,759	16,267	2
Total liabilities	6,784,971	6,209,875	(575,096)	(8)
Share capital	6,519,961	6,519,961	—	—
Capital surplus	1,598,807	1,523,313	(75,494)	(5)
Retained earnings	1,759,933	2,825,412	1,065,479	61
Equity-Other	(952,662)	(1,128,331)	(175,669)	(18)
Total equity	8,926,039	9,740,355	814,316	9

Note: Only the consolidated figures of the Company are demonstrated.

Analysis of changes in increase/decrease ratio exceeding 20%:

1. The Current assets increased in this period compared to 2019, mainly due to disposing equity of affiliated company accounted for using equity method resulted in increased cash.
2. The Other assets decreased in this period compared to 2019 mainly due to disposing equity of affiliated companies accounted for using equity method
3. The Retained earnings for this period increased compared to 2019, mainly due to the net income for this period.

II. Financial Performance

(I) Financial performance comparison/analysis table

Unit: NT\$ Thousands

Item \ Year	2019	2020	Increase/Decrease	Change ratio (%)
Operating costs	<u>12,256,516</u>	<u>10,404,148</u>	<u>(1,852,368)</u>	(15)
Gross profit	4,739,532	4,775,295	35,763	1
Operating expenses	<u>5,124,288</u>	<u>4,695,069</u>	<u>(429,219)</u>	(8)
Net operating income (loss)	(384,756)	80,226	464,982	(121)
Non-operating income and expenses	<u>95,203</u>	<u>1,416,500</u>	<u>1,321,297</u>	1388
Net profit before tax (loss) from continuing operations	(289,553)	1,496,726	1,786,279	(617)
Less: income tax expenses	<u>152,188</u>	<u>186,166</u>	<u>33,978</u>	22
Net income (loss) in this period	<u>(441,741)</u>	<u>1,310,560</u>	<u>1,752,301</u>	(397)

Note: Only the consolidated figures of the Company are demonstrated.

Analysis of changes in increase/decrease ratio exceeding 20%:

1. The increase in operating income for this period was mainly due to the increase in gross profit and decrease in operating expenses.
2. The increase in non-operating income, net profit before tax and net profit after tax for this period were mainly due to the increase in proportion of profit or loss of affiliated companies recognized using equity method.
3. The remaining items are exempted from analysis as the change ratio is within 20%.

(II) Expected sales volume and its basis, potential impact on the Company's future financial operations, and response plans thereof: Please refer to "Letter to Shareholders" on pages 1 to 5.

III. Cash Flow

(I) Change in cash flow in the most recent fiscal year

Item \ Year	2019	2020	Increase (decrease) ratio %
Cash flow ratio (%)	0.78	17.62	2,158.97
Cash flow adequacy ratio (%)	193.65	251.89	30.07
Cash re-investment ratio (%)	(0.81)	8.28	1,122.22

Note: Only the consolidated operating figures of the Company are shown.

Analysis of changes in increase/decrease ratio exceeding 20%:

1. The increase in cash flow ratio during this period was mainly due to the increase in net cash flow from operating activities during the current period.
2. The increase in cash flow adequacy ratio during this period was mainly due to the increase in cash flows from operating activities in the last five years of 2020.
3. The increase in cash reinvestment ratio during this period was mainly due to the increase in cash flows from operating activities in this period.

(II) Improvement plan for insufficient liquidity: The Company does not suffer from insufficient liquidity.

(III) Cash liquidity analysis for the coming year (2021): N/A

IV. Material Expenditure for the Most Recent Fiscal Year and its Impact on the Company's Finances and Operations:

The Company has no other major capital expenditures in the most recent year.

V. The Company's Investment Policy for the Most Recent Fiscal Year, and the Main Reasons for the Profits/Losses Generated Thereby, the Improvement Plan, and Investment Plans for the Coming Year

- (I) The Company's share of profit of associates accounted for using the equity-method is NT\$717,221,000 in 2020 financial statements (NT\$82,976,000 in consolidated financial statements). The main reason for profit is the impact from COVID-19 outbreak, when many countries have gone into lockdown and shifted to work from home, so that the market demand for Wifi products greatly increased and the development of high value-added products to optimize gross margin.
- (II) Considering Cameo Communications, Inc. as one of the major suppliers to the Company, both sides work closely together in research and development and manufacturing. The Board of Directors approved the proposal to participate in the subscription of common shares via private placement by Cameo Communications, Inc., with a total amount of NT\$8.19 per share (total NT\$799,999,000) to increase the capital of Cameo Communications, Inc. The Company holds an

approximately 41.58% stake.

VI. Risks that Shall be Assessed in the Most Recent Year and up to the Printing Date of this Annual Report

(I) Impacts of interest rate, fluctuation in exchange rate, and inflation on corporate gains and losses and future response measures:

Unit: NT\$ Thousands

Item	2019	2020
Net interest income or expense	22,883	6,465
Net foreign exchange gain and loss (Note 1)	25,996	8,794

Note 1: Including the profit and loss on financial assets and liabilities but not the profit and loss on exchangeable corporate bonds (EB).

- (1) In terms of interest rate, the net consolidated interest income and expenditure of the Company in 2020 was NT\$6,465,000. Due of operational requirements, the Company's deposits are mainly in US dollar and loans are mainly in the New Taiwan dollar. Interest income and expenses are mainly affected by fluctuations in interest rates between New Taiwan dollar and the US dollar. The Company continues to regularly assess the interest rate on deposits and loans to reduce the risk of interest rate fluctuations.
- (2) In terms of exchange rates, the consolidated foreign exchange benefit of the Company in 2020 was NT\$8,794,000. The Company keeps abreast of foreign exchange positions and changes in profit and loss in accordance with the Company's clear foreign exchange operation strategy and strict control procedures, while adjusting the hedging ratio in a timely manner with reference to the exchange rate market volatility to reduce the exposure to the overall foreign exchange risk.
- (3) Inflation has no significant impact on the Company's profit and loss. The Company will also closely monitor the general economic changes and changes in market conditions to avoid inflation affecting the Company's profit or loss.

(II) Policies on high-risk, high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, are the main reasons for the profits or losses generated thereby, and future response measures to be undertaken:

The Company is not engaged in high-risk and high-leverage investments. Based on the principle of effective use of the Group's resources, funds are lent to subsidiaries and endorsements and guarantees provided to subsidiaries, which are all conducted in accordance with the Company's Procedures for Loaning of Funds to Others, Procedures for Making Endorsements/Guarantees, and the relevant laws and regulations. Derivatives trading is aimed at avoiding foreign exchange risks and reducing exchange rate fluctuations and is handled in accordance with the relevant regulations of the Company's Handling Procedures for Acquisition or Disposal of Assets and the Procedures for Derivatives Trading. The implementation and the profit and loss situation are reported to the Board of Directors on a regular basis. All derivatives information above is disclosed on MOPS on a monthly basis as required for investors' reference.

(III) Future R&D projects and R&D expenditure to be invested:

The estimated R&D expenditure for 2021 is NT\$1,180 million, however, it will be adjusted as required depending on the global market conditions and the actual operating conditions of the Company. At present, D-Link has long been committed to netcom product technology innovation such as switches, wireless routers, digital cameras etc., and in response to the 5G era, we will continue to develop 5G communication networks with eMBB, URLLC and mMTC to

support digitalization of industries such as AR/VR, industrial automation, the Internet of Things (IoT), car networking, and smart cities, and create the ultimate smooth internet experience.

(IV) Impact of changes of important domestic and international policies and laws on the Company's finance and business, and response measures: None

(V) Impact of changes in technology and industry on the Company's finance and business, and response measures: None

(VI) Impact of changes of corporate images on crisis management and response measures: None

(VII) Projected benefits and possible risks in engaging in mergers or acquisitions and response measures: None

(VIII) Projected benefits and possible risks in expanding plants and response measures: None

(IX) Risks posed by concentrated procurement and sales and response measures: None.

(X) The impact on the Company, and risks arising from major exchange or transfer of shares by Directors or major shareholders with over 10% of shareholdings, and the response measures: None

(XI) Effects of, risks relating to and countermeasures to the changes in management Rights: None

(XII) For litigation or non-litigation cases, major litigations, non-litigations, or administrative litigations that have been confirmed or are still in trial, in which the Company and its directors, President, substantive person in charge, major shareholders with a shareholding ratio of more than 10%, or subordinate companies are involved shall be specified. Where the results may affect the shareholders' equity, their disputed facts, the amount of the subject matter, the date of litigation, the main parties involved in the litigation, and the handling situation as of the printing date of this annual report shall be disclosed:

- (1)** XR Communications, LLC and dba Vivato Technologies filed a lawsuit against the Company's subsidiary, D-Link Systems, Inc., in April 2017, alleging that some of D-Link's products infringed its patents. D-Link Systems, Inc. has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
- (2)** Parity Networks LLC filed a lawsuit against the Company in February 2020, alleging that some of D-Link's products infringed its patents. The Company has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
- (3)** UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of D-Link's products infringed its patents. The Company has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
- (4)** Cedar Lane Technologies Inc. filed a lawsuit against the Company in December 2020, alleging that some of D-Link's products infringed its patents. The Company has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
- (5)** Sisvel alleged that some of D-Link's products infringed its patents. The Company has retained attorneys to handle this issue in collaboration with product suppliers. Based on the evaluation, the Company believes the incident will not cause a significant impact on its current operations.
- (6)** McAfee made certain payment claims against the Company according to an agreement that was terminated in December 2019, and the Company is currently in negotiation with McAfee for the issue. Based on the evaluation, the Company believes the incident will not have any significant impact on its current operations.

(XIII) Other material risks and response measures:

(1) Information security purpose and scope:

D-Link has long focused on the development of network equipment and services, so that information security is one of the important tasks that the Company attaches great importance to and pays attention to, including staff, organizations, suppliers and operating-related information materials and hardware and software equipment. The Company follows ISO27001:2013 Information Security Management System standards, formulates information security policies, strengthens information security management, and ensures that critical information assets are protected from internal, external, intentional or accidental threats to maintain the confidentiality, integrity and availability of information. Through information assets and risk management procedures, the Company's important information assets are built and maintained in a "Plan-Do-Check-Act" model to ensure the continuity of the Company's business Operate, reduce business risks, improve service quality, and ensure that all information security policies, procedures and operating guidelines can be implemented consistently and effectively in the Company.

(2) Information security risk framework:

In order to truly grasp information and communication security, D-Link follows ISO2700:2013 Information Security Management System standards and established the Company's "Information Security Promotion Association" to be responsible for the promotion and review of the information security management system and provide related resources. The information department is responsible for leading and planning, responsible for formulating information security management policies, and regularly reviewing and revising them, and all relevant business units cooperate in implementation to confirm the effectiveness of information security management operations. In January 2021, the Company passed the IEC 62443-4-1 (Secure product development lifecycle requirements) product safety development system certification, from product design, development, testing to imported product life cycle, are subject to the most stringent safety regulations. In addition, in view of the European GDPR privacy requirements, the Company has also adopted the BS10012 certification to verify that the Company's system has been able to comply with the personal data protection law, its risks have also been properly regulated through management procedures and documents. Identification, evaluation, and management prove D-Link's commitment to personal information protection, through continuous monitoring, improvement and the regular audit process are responding to the impact of GDPR implementation.

In view of the inseparability of information security and privacy protection, the Company has formulated a sustainable development of information security and privacy goals, and plans to establish an information security and privacy protection organization to integrate the three protection aspects of products, systems and services, in response to actual needs and development trends. The organization shall formulate information security strategies and visions that meet the needs of the Company, create a safe and reliable product information security environment, a sound privacy protection system, and strengthen a risk-oriented information security protection system, regular meetings held to review the implementation status to ensure the Company's overall information security is solid and reliable.

(3) Information security policy goals:

1. To ensure the continuous operation of the Company's business and the stable use of the information services provided.
2. To ensure the confidentiality, integrity and availability of the information assets kept by

the Company and protect the privacy of personnel data.

3. To establish an information business continuity operation plan and implement information business activities that meet the requirements of relevant laws and regulations.

(4) **Information security control measures:**

1. **Risk assessment:** Establish a regular inventory of information assets, conduct risk management based on information security risk assessment, and implement various control measures.
2. **Education and training:** The Company regularly conducts information security promotion and conducts information security education and training every year. New recruits must sign an information confidentiality agreement. All personnel shall abide by laws and regulations and information security policy requirements and strengthen colleagues' awareness of information security and legal concepts.
3. **Signing confidential agreement:** All employees and outsourcing vendors shall sign a confidentiality declaration to ensure that those who use the Company's information, services, or perform related businesses will fulfill their obligation to protect the Company's information assets to prevent unauthorized access, unauthorized alteration, destruction or improper disclosure.
4. **Regular practice:** Important information systems or equipment should be equipped with appropriate backup or monitoring mechanisms and exercise regularly, and standard operating specifications should be established to maintain their availability.
5. **Endpoint protection:** Build a new anti-virus system and introduce a multi-factor authentication mechanism to strengthen the audit of unauthorized software.
6. **Incident notification:** Develop standard procedures for responding to and communicating information security incidents to properly handle information security incidents in real time and avoid the spread of harm.

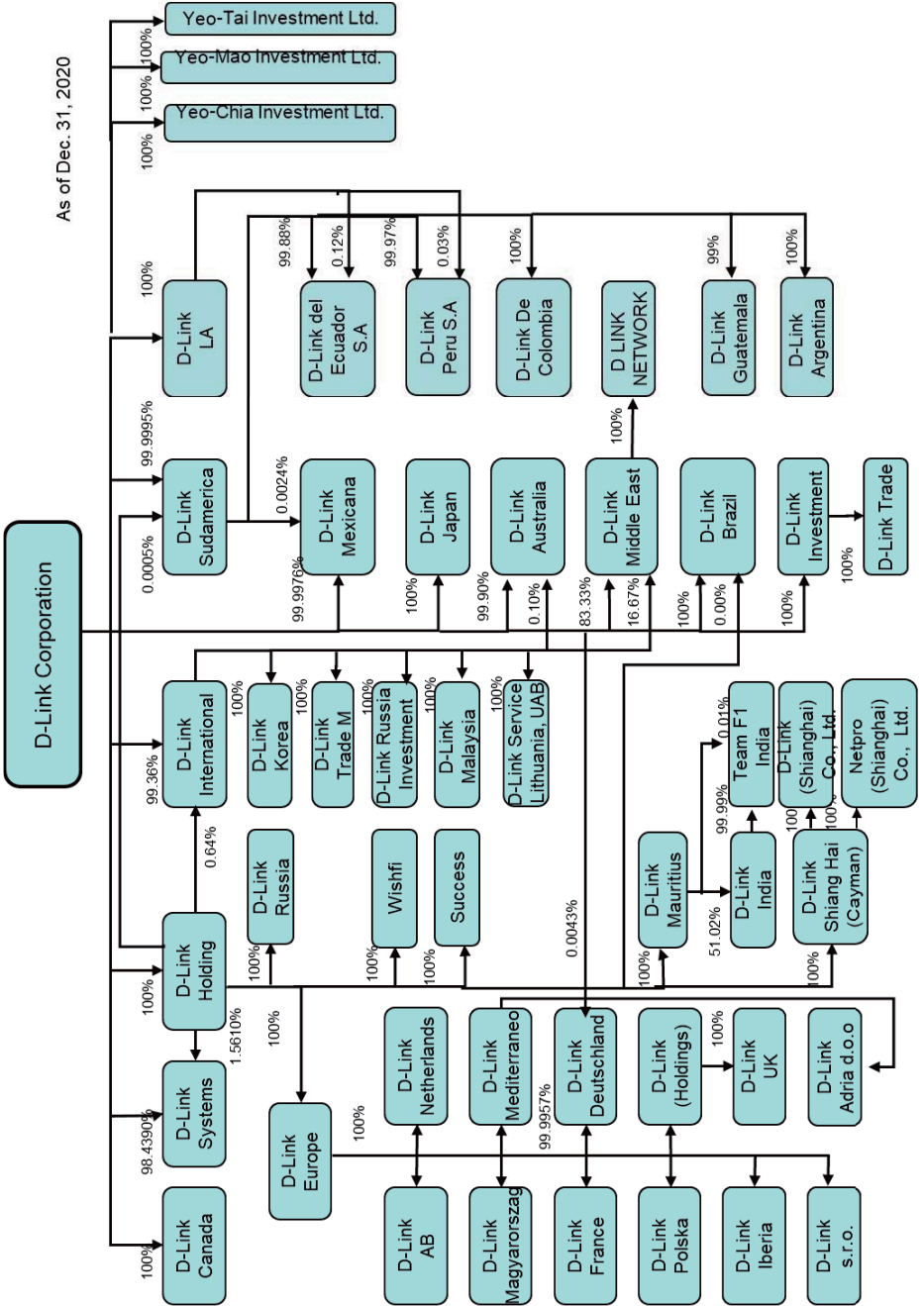
In view of the increasing uncertainty of information security risks year by year, in the future, it is planned to purchase information security insurance to establish a more comprehensive investment in security protection.

VII. Other Important Matters: None

Chapter 8 Special Disclosure

- I. **Relevant Information of The Company's Affiliates**
 - (I) Organization structure of affiliated companies: Please refer to page 104.
 - (II) Basic information of affiliated companies: Please refer to pages 105 to 106.
 - (III) Shareholders in common of the Company and its subsidiaries with deemed control and subordination: None
 - (IV) Directors, supervisors, and the president of affiliated companies: Please refer to pages 107 to 109.
 - (V) Operating status of affiliates: Please refer to pages 110 to 111.
 - (VI) Consolidated financial statements of affiliated companies: Please refer to pages 112 to 201.
- II. **Private Placement of Securities in the Most Recent Year up to the Printing Date of this Annual Report:** None
- III. **Holding or Disposal of Shares of the Company by the Company's Subsidiaries during the Most Recent Year up to the Printing Date of this Annual Report:** None
- IV. **Other Necessary Remarks:** None
- V. **Any Event that Results in Substantial Impact on the Shareholders' Equity or Prices of the Company's Securities as Prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that Have Occurred in the Most Recent Year up to the Printing Date of this Annual Report:** None

As of Dec. 31, 2020



Basic Information of affiliated companies

Unit: NT\$ Thousands

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
D-Link Canada Inc.	1990.02.15	2525 Meadowvale Boulevard, Mississauga, ON, Canada L5N 5S2,	195,668	Marketing and after-sales service
D-Link Systems, Inc.	1986.01.17	17595 Mount Herrmann Street, Fountain Valley, CA 92708, USA	1,453,908	Marketing and after-sales service
D-Link Holding Company Ltd.	1998.06.04	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, B.V.I.	1,940,326	Investment
D-Link (Europe) Ltd.	1995.05.30	Artemis Building, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE	1,550,713	Marketing and after-sales service
D-Link AB	1994.09.14	D-Link AB, BOX 1104, 164 22 Kista, Stockholm, Sweden	7,611	Marketing and after-sales service
D-Link (Magyarország) Kft	2007.06.29	Robert Karoly Korut 59, H-1134 Budapest, Hungary	426	Marketing and after-sales service
D-Link France SARL	1990.06.19	14 Place Georges Pompidou, Montigny-le-Bretonneux 78180, France	3,991	Marketing and after-sales service
D-Link Polska Sp Z.o.o.	2006.02.06	ul. Olkuszka 7, 02-604 Warsaw, Poland	935	Marketing and after-sales service
D-Link Iberia SL	2000.07.07	Calle Muntaner, 239-253, Floor 3 B 08021 Barcelona, Spain	1,667	Marketing and after-sales service
D-Link s.r.o	2010.03.01	Building City Empiria, 15th fl. Na Strzi 1702/65, 140 62 Praha- Praha 4, Czech Republic	267	Marketing and after-sales service
D-Link (Netherlands) BV	2001.03.15	Weena 290, 3012 NJ Rotterdam, Netherlands	1,799	Marketing and after-sales service
D-Link Mediterraneo SRL	2000.06.02	Via Negrolì 35, 20133 Milano, Italy	1,837	Marketing and after-sales service
D-Link (Deutschland) GmbH	1991.08.14	Schwalbacher Strasse 74 D-65760 Eschborn, Germany	111,164	Marketing and after-sales service
D-Link (Holdings) Ltd.	1995.03.02	Artemis Building, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE	—	Investment
D-Link (UK) Ltd.	1989.08.01	Artemis Building, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE	11,578	Marketing and after-sales service
D-Link Adria d.o.o	2011.03.03	Cvjetno naselje II 18, 10 000 Zagreb Croatia	323	Marketing and after-sales service
OOO D-Link Russia	2002.07.25	Graphsky per., 14, 129626 Moscow, Russia	3,743	After-sales services
Wishfi Pte. Ltd.	2009.07.10	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	3	R & D, marketing and after sales service
Success Stone Overseas Corp.	2010.01.05	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	280,006	Investment
D-Link Holding Mauritius, Inc.	2000.09.21	10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	302,312	Investment
D-Link (India) Ltd.	2008.05.26	Kalpataru Square, 2nd Floor, Unit no. 24, Kondivita Lane, Off Andheri Kurla Road, Andheri East, Mumbai – 400059, India	27,700	Marketing and after-sales service
TeamF1 Networks Private Limited	2012.02.06	5th Floor, BlockI, MY Home Hub, Hyderabad Telangana, India	41	R & D
D-Link Shiang-Hai (Cayman) Inc.	2002.04.08	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	574,507	Investment
D-Link (Shang-Hai) Co., Ltd.	2002.08.13	Room 612, 6F, No. 88, Taigu Road, China (Shanghai) Pilot Free Trade Zone	697,733	Trading of network equipment and wireless communication systems
Netpro Trading (Shang-hai) Co., Ltd.	2001.11.13	8F, Building 1, No. 641 Tianshan Road, Shanghai	21,354	R & D and trading
D-Link International Pte. Ltd.	1994.08.31	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	1,712,133	Marketing, procurement and after-sales service

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
D-Link Korea Limited	2011.03.16	(Guro-dong, Woolim E-biz Center 1) RM 1401, 28, Digital-ro 33-gil, Guro-gu, Seoul, 08377 Korea	43,483	Marketing and after-sales service
D-Link Trade M	2013.05.21	MD-2001, Negruzzi C. Blvd., 8, Chisinau, Republic of Moldova	9	Marketing and after-sales service
D-Link Russia Investment Co. Ltd.	2014.01.20	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	543,509	Investment
D-Link Malaysia Sdn Bhd	2015.03.13	Strata office SO-20-8, Menara 1, KL Eco City, Jln. Bangsar, Kg. Hj. Abdullah Hukum 59200, Kuala Lumpur Malaysia	5,673	Marketing and after-sales service
D-Link Service Lithuania, UAB	2017.12.05	Zirmunu 139, LT-09120, Vilnius, Lithuania	3,484	Marketing and after-sales service
D-Link Sudamerica S.A.	1999.01.11	Avenida Cerro el Plomo 5420, piso 12, Las Condes, Santiago Chile	4,798	Marketing and after-sales service
D-Link Mexicana S.A de C.V	2007.11.13	Gabriel Mancera 1041 Col. Del Valle, C.P. 03100 / México, D.F	217,464	Marketing and after-sales service
D-Link Japan K.K.	2005.07.11	2F, SOWA Gotanda Bldg., 2-7-18 Higashigotanda, Shinagawa-ku, Tokyo 141-0022, Japan	26,225	Marketing and after-sales service
D-Link Australia Pty Ltd.	1991.05.29	6-10 Talavera Rd, North Ryde, NSW 2113, Sydney Australia	21,960	Marketing and after-sales service
D-Link Middle East FZCO	2002.07.17	Plot No. S31102, P.O. Box: 18224 Jebel Ali Free Zone South, Dubai UAE.	4,685	Marketing and after-sales service
D Link Network	2019.12.09	Unit 10 Block B, 324 Witch-Hazel Ave, Highveld Technopark, Centurion, RSA	—	Marketing and after-sales service
D-Link Brazil LTDA.	2001.09.12	Rua Apeninos, 1126, 10º Andar - CEP 04104-021, PARAÍSO - SÃO PAULO, Brazil	162,645	Marketing and after-sales service
D-Link Investment Pte. Ltd.	2013.12.20	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	62,718	Investment
OOO D-Link Trade	2010.12.29	Shabulina Proezd 16, 390043, Ryazan, Russia	27,784	Marketing and after-sales service
D-Link Latin-America Company Ltd.	2001.04.11	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	285,080	Marketing and after-sales service
D-Link del Ecuador S.A.	2006.05.15	CDLA Kennedy norte Av. Francisco Orellana Mz 111 SI,1 Edificio World trade Center Torre A piso 20f. 206 Guayaquil, Ecuador	23	Marketing and after-sales service
D-Link Peru S.A.	2004.06.01	Calle Mártir José Olaya 129 of. 503 Miraflores, Centro empresarial Jose Pardo, Lima, Peru	28	Marketing and after-sales service
D-Link de Colombia S.A.S.	2006.07.07	Autopista Medellín Km 2 Parque Empresarial Tecnológico Torre A Piso 3, Cota, Bogota Colombia	11,990	Marketing and after-sales service
D-Link Guatemala S.A.	2005.12.07	Guatemala C.A.	18	Marketing and after-sales service
D-Link Argentina S.A.	2006.08.02	Buenos Aires - Argentina	961	Marketing and after-sales service
Yeo-Chia Investment Ltd.	1997.02.21	6F., No. 289, Xinhua 3rd Rd., Neihu Dist., Taipei City	204,000	Investment
Yeo-Mao Investment Ltd.	1995.11.03	6F., No. 289, Xinhua 3rd Rd., Neihu Dist., Taipei City	102,203	Investment
Yeo-Tai Investment Ltd.	1999.12.17	6F., No. 289, Xinhua 3rd Rd., Neihu Dist., Taipei City	146,000	Investment

Directors, supervisors, and presidents of affiliates

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Canada Inc.	Director	Hung-Yi Kao	—	—
D-Link Systems, Inc.	Director	William Brown	—	—
D-Link Holding Co. Ltd	Director	Chen, Yi	—	—
	Director	Hung-Yi Kao	—	—
D-Link (Europe) Ltd.	Director	Kevin Wen Huang Wen	—	—
	Director	Gen-Kwo Lee	—	—
	Director	Chen, Yi	—	—
	Company Secretary	Rick C.Y. Chen	—	—
D-Link AB	Director & Chairman	Kevin Wen Huang Wen	—	—
	Director & CEO	Thomas Von Baross	—	—
	Director	Arnold Dekker	—	—
D-Link (Magyarország) Kft	Director	Kevin Wen Huang Wen	—	—
	Director	Thomas Von Baross	—	—
	Supervisors	Rick C.Y. Chen	—	—
	Supervisors	Chunglin Chen	—	—
D-Link France SARL	Director	Kevin Wen Huang Wen	—	—
	Director	Stefano Nordio	—	—
D-Link Polska Sp. Z o.o.	Director	Kevin Wen Huang Wen	—	—
	Director	Rick C.Y. Chen	—	—
	Director and President	Thomas Von Baross	—	—
D-Link Iberia SL	Director	Kevin Wen Huang Wen	—	—
	Director	Rick C.Y. Chen	—	—
	Director	Stefano Nordio	—	—
	Director	Thomas Von Baross	—	—
D-Link s.r.o	Director	Thomas Von Baross	—	—
	Director	Monica Reccius	—	—
D-Link (Netherlands) BV	Director	Kevin Wen Huang Wen	—	—
	Director	Rick C.Y. Chen	—	—
	Director	Thomas Von Baross	—	—
D-Link Mediterraneo SRL	Director	Kevin Wen Huang Wen	—	—
	Director	Rick C.Y. Chen	—	—
	Director and President	Stefano Nordio	—	—
D-Link (Deutschland) GmbH	Director	Kevin Wen Huang Wen	—	—
	Director	Rick C.Y. Chen	—	—
	Director and President	Thomas Von Baross	—	—
D-Link (Holdings) Ltd. Co.	Director	Kevin Wen Huang Wen	—	—
	Company Secretary	Rick C.Y. Chen	—	—
D-Link (UK) Ltd.	Director	Kevin Wen Huang Wen	—	—
	Company Secretary	Rick C.Y. Chen	—	—
D-Link Adria d.o.o	Director	Kevin Wen Huang Wen	—	—
	Director	Rick C.Y. Chen	—	—
	Director	Stefano Nordio	—	—
OOO D-Link Russia	Director and President	Vladimir Lipping	—	—
	Director & Chairman	Chia-Yu Chang	—	—
Wishfi Pte Ltd.	Director	Shiu-Fen Yang	—	—
	Representative	Hung-Yi Kao	—	—
	Director	Chih-Chang Chiang	—	—
Success Stone Overseas Corp.	Director	Chen, Yi	—	—
	Director	Chen, Yi	—	—
D-Link Holding Mauritius, Inc.	Director	Chang, Chia-Jui	—	—
	Director	Chang, Chia-Jui	—	—
	Director	Karen Ah Soon	—	—

	Director	Nathalie Wong	—	—
D-Link (India) Ltd.	Chairman	Hung Yi Kao	—	—
	Director	Mukesh Lulla	2,755,000	7.69
	Independent Director	Rajaram Ajgaonkar	—	—
	Independent Director	Madhu Gadodia	—	—
	Independent Director	Satish Godbole	50	0.00
	Director & CEO	Tushar Sighat	16,427	0.04
TeamF1 Networks Private Limited	Director	Tushar Sighat	—	—
	Director	Ming-Lin Chien	—	—
	Director	Rajaram Pralhadrao Jadhav	—	—
D-Link Shiang-Hai (Cayman) Inc.	Director	Chen, Yi	—	—
	Director	Hung-Yi Kao	—	—
D-Link (Shang-Hai) Co., Ltd.	Chairman	Chen, Yi	—	—
	Director	Huang, Ging-Zhou	—	—
	Director	Chang, Chia-Jui	—	—
	Supervisor	Chou, Pei-Hsiao	—	—
Netpro Trading (Shang-hai) Co., Ltd.	Chairman	Chen, Yi	—	—
	Director	Chang, Chia-Jui	—	—
	Supervisor	Chou, Pei-Hsiao	—	—
D-Link International Pte Ltd.	Director	Chia-Yu Chang	—	—
	Director	Hung Yi Kao	—	—
	Director	John Lee	—	—
D-Link Korea Ltd.	Chairman	Chen, Yi	—	—
	Director	Chang, Chia-Jui	—	—
D-Link Trade M	Administrator	Denis Culicovschi	—	—
D-Link Russia Investment Co. Ltd.	Director	Hung Yi Kao	—	—
	Director	Chen, Yi	—	—
D-Link Malaysia SDN. BHD.	Director	Lim Bee Lian	—	—
	Director	Suzairi Bin Abdul Rahman	—	—
D-Link Service Lithuania, UAB	Director	Shu-Chen Yu	—	—
	Director	Ramune Drobaviciene	—	—
D-Link Sudamerica S.A.	Legal Representative	Shu-Chen Yu	—	—
	Director	Hua-Kuen Miao	—	—
	Director	Mei-Lin Wei	—	—
	Director	Mao-Sung Liu	—	—
D-Link Mexicana S.A de C.V	Director	Hung-Yi Kao	—	—
	Legal Representative	Chen, Yi	—	—
D-Link Japan K.K.	Chairman	Chia-Jui Chang	—	—
	President	Chin-Hsin Liao	—	—
	Director	Hung-Yi Kao	—	—
	Supervisor	Chou, Pei-Hsiao	—	—
D-Link Australia Pty Ltd.	Director	Graeme Reardon	—	—
	Director	Chen, Yi	—	—
	Director	Chia-Jui Chang	—	—
D-Link Middle East FZCO	Director	Yao Chuan Yang	—	—
	Director	Chen, Yi	—	—
	Director	Chia-Jui Chang	—	—
D Link Network	Director	Ching-Hsun Liang	—	—
	Director	Chih-Chang Chiang	—	—
D-Link Brazil LTDA.	Legal Representative	José Roberto A.M.Filho	—	—
D-Link Investment Pte. Ltd.	Director	Hung-Yi Kao	—	—
	Director	Chia-Yu Chang	—	—
OOO D-Link Trade	Director & President	Vladimir Lipping	—	—
	Director	Chen, Yi	—	—

D-Link Latin-America Company Ltd.	Director	Hung-Yi Kao	—	—
D-Link del Ecuador S.A.	Legal Representative	FALQUEZ OCAÑA DOLORES PATRICIA	—	—
D-Link Peru S.A.	Legal Representative	Shu-Chen Yu	—	—
D-Link de Colombia S.A.S.	Legal Representative	Chen, Yi	—	—
D-Link Guatemala	Legal Representative	Shu-Chen Yu	—	—
D-Link Argentina S.A.	Legal Representative	Ricardo Scherianz	—	—
Yeo-Chia Investment Ltd.	Director	John Lee	—	—
Yeo-Mao Investment Ltd.	Chairman	John Lee	—	—
	Director	Hans Liu	—	—
Yeo-Tai Investment Ltd.	Chairman	John Lee	—	—
	Director	Hans Liu	—	—

Note: Not institutional representatives of the Company; the disclosed number of shares held is held by individuals, and the remaining Directors, Supervisors and Presidents are designated by the Company or its 100%-owned subsidiaries.

Operation Status of the affiliates

Unit: NT\$ Thousands, except for EPS

English name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	P & L for the current period (after taxes)	EPS (NT\$)
D-Link Canada Inc.	195,668	521,200	167,531	353,669	658,510	1,750	765	—
D-Link Systems, Inc.	1,453,908	1,829,163	381,499	1,447,664	987,563	28,128	4,440	—
D-Link Holding Company Ltd.	1,940,326	1,797,249	26,924	1,770,325	—	(467)	81,467	1
D-Link (Europe) Ltd.	1,550,713	2,348,024	1,007,392	1,340,632	3,116,562	47,476	40,658	1
D-Link AB	7,611	30,113	12,894	17,219	49,203	2,176	2,351	152
D-Link (Magyarország) Kft	426	10,359	4,105	6,254	12,517	764	(4,069)	(13,563)
D-Link France SARL	3,991	124,846	89,376	35,470	452,180	4,702	2,868	25
D-Link Polska Sp. z o.o.	935	33,356	9,622	23,734	57,346	3,391	(1,795)	(17,950)
D-Link Iberia SL	1,667	206,471	144,275	62,196	459,574	16,483	7,011	140
D-Link s.r.o.	267	5,755	2,293	3,462	8,420	419	(5,447)	(54,470)
D-Link (Netherlands) BV	1,799	12,118	4,403	7,715	14,766	836	485	10
D-Link Mediterraneo SRL	1,837	261,654	254,712	6,942	574,139	4,921	327	7
D-Link (Deutschland) GmbH	111,164	301,405	116,881	184,524	703,369	4,093	11,148	N/A
D-Link (Holdings) Ltd.	—	9,417	—	9,417	—	—	—	—
D-Link (UK) Ltd.	11,578	9,417	—	9,417	—	—	—	—
D-Link Adria d.o.o	323	1,281	13	1,268	716	(46)	(46)	N/A
OOO D-Link Russia	3,743	4,668	1	4,667	115	(276)	(19)	N/A
Wishfi Pte. Ltd.	3	1,400	—	1,400	—	(49)	(49)	—
Success Stone Overseas Corp.	280,006	152,941	1,394	151,547	—	(14,806)	2,572	262
D-Link Holding Mauritius, Inc.	302,312	841,787	685	841,102	—	(425)	72,055	360
D-Link (India) Ltd.	27,700	1,602,092	620,344	981,748	2,639,783	114,566	144,211	4
Team F1 Network Private Ltd.	41	73,848	18,118	55,730	64,310	7,526	7,284	694
D-Link Shiang-Hai (Cayman) Inc.	574,507	—	543,192	(543,192)	—	—	(33,521)	(670)
D-Link (Shang-Hai) Co., Ltd.	697,733	138,787	690,298	(551,511)	277,539	(32,243)	(33,844)	N/A
Netpro Trading (Shang-hai) Co., Ltd.	21,354	19,494	8,563	10,931	47,960	925	323	N/A
D-Link International Pte. Ltd.	1,712,133	6,214,646	3,677,027	2,537,619	8,116,920	362,641	496,271	7
D-Link Korea Ltd.	43,483	30,401	58,346	(27,945)	98,124	4,570	7,964	24
D-Link Trade M	9	1,452	2,036	(584)	1,481	186	159	N/A
D-Link Russia Investment Co. Ltd.	543,509	712,621	—	712,621	—	(107)	123,317	5
D-Link Malaysia Sdn Bhd	5,673	15,397	7,952	7,445	27,250	1,298	489	1
D-Link Service Lithuania, UAB	3,484	8,571	4,961	3,610	12,286	862	503	503
D-Link Sudamerica S.A.	4,798	27,349	18,243	9,106	29,680	1,090	15,104	76
D-Link Mexicana S.A de C.V	217,464	16,605	908	15,697	144	(595)	8,970	59
D-Link Japan K.K.	26,225	1,063,162	373,069	690,093	1,049,853	42,307	30,136	3,172
D-Link Australia Pty Ltd.	21,960	337,806	186,646	151,160	493,034	4,679	8,759	9
D-Link Middle East FZCO	4,685	1,083,940	257,369	826,571	2,144,149	28,293	27,358	4,559,667

English name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	P & L for the current period (after taxes)	EPS (NT\$)
D Link Network	—	—	—	—	—	—	—	—
D-Link Brazil LTDA.	162,645	452,428	483,342	(30,914)	342,699	(4,869)	(47,172)	—
D-Link Investment Pte. Ltd.	62,718	27	111,800	(111,773)	—	(67)	3,191	1
OOO D-Link Trade	27,784	577,438	687,908	(110,470)	1,404,940	111,133	3,258	N/A
D-Link Latin-America Company Ltd.	285,080	71,946	599,554	(527,608)	—	1,345	(24,154)	(589)
D-Link del Ecuador S.A.	23	498	366	132	—	—	(382)	(478)
D-Link Peru S.A.	28	9,416	445	8,971	13,044	857	15,928	4,551
D-Link de Colombia S.A.S.	11,990	18,670	11,342	7,328	3,826	(68)	(403)	—
D-Link Guatemala S.A.	18	826	303	523	—	—	—	—
D-Link Argentina S.A.	961	167	25	142	—	—	51	510
Yeo-Chia Investment Ltd.	204,000	275,208	60	275,148	—	(992)	(20,838)	N/A
Yeo-Mao Investment Ltd.	102,203	129,004	60	128,944	—	(451)	60,489	6
Yeo-Tai Investment Ltd.	146,000	63,173	60	63,113	—	(267)	6,007	—

Representation Letter

The entities that are required to be included in the combined financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: D-LINK CORPORATION
Chairman: Lee, Chung-Wang
Date: March 17, 2021

Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

We have audited the consolidated financial statements of D-LINK CORPORATION and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matters

We did not audit the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2020, and the financial statements of D-Link International Pte. Ltd. as of and for the year ended December 31, 2019. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the reports of other auditors. The financial statements of above subsidiaries reflect the total assets constituting 6% and 5% of the consolidated total assets at December 31, 2020 and 2019, respectively, and the total revenues constituting 8% of the consolidated total revenues for the years ended December 31, 2020 and 2019, respectively.

D-LINK CORPORATION has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matters paragraph.

Key Audit Matters

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

1. Valuation of inventories

Please refer to Note 4(i) for accounting policy of inventory, Note 5(b) for accounting estimations and assumption uncertainty of inventory valuation, and Note 6(e) for the write-down of inventories to net realizable value.

Most inventories of the Consolidated Company are internet solution products, which are measured at the lower of cost or net realizable value. As a result of competitive and rapidly changing environment where the Consolidated Company is located in, its internet solution products may become out-of-date and can no longer meet the market needs, resulting in a fluctuation in the price of these products. The estimation of the net realizable value involves a subjective judgment of the Consolidated Company's management, which results in a risk that inventory cost may exceed its net realizable value.

How the matter was addressed in our audit:

For valuation of inventories, we observed the physical count of inventories at year end to inspect the condition of inventories; reviewed the inventory aging reports to assess the reasonableness of the Consolidated Company's inventory provision rate. To ascertain whether management's estimate of inventory provision was adequate, we evaluated the net realizable value basis adopted by the Consolidated Company's management. Furthermore, we assessed the appropriateness of the Consolidated Company management's estimation of inventory provision. We also assessed the appropriateness of the Consolidated Company's relevant disclosure of inventories.

2. Valuation of allowance for doubtful account

Please refer to Note 4(h) for accounting policy of allowance for doubtful account, Note 5(a) for accounting estimations and assumption uncertainty of impairment assessment of accounts receivable, and Note 6(c) for the analysis of accounts receivable and aging analysis.

Key audit matter explanation:

The Consolidated Company evaluates the recoverability of its accounts receivable based on credit rating and aging analysis and uses the forward-looking expected loss model. Therefore, the valuation of allowance for doubtful account involves a subjective judgment of management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

We tested the effectiveness of the Consolidated Company's controls on the receivable collection and reviewed their records, then sent letters of confirmation request to the counterparties of the Consolidated Company. In order to assess the reasonableness of the Consolidated Company's valuation of allowance for doubtful accounts, we evaluated the assumptions adopted by management in valuation and the previous year's collection situation to assess whether there was any significant abnormality in the expected credit losses on the accounts receivable. We also assessed the appropriateness of the Consolidated Company's relevant disclosure of accounts receivable.

3. Revenue recognition

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

Key Audit Matter Explanation:

The Consolidated Company sells internet related products and services, and aims to offer high-quality internet solution proposals to global consumers and enterprises. Revenue is the key performance indicator to evaluate the Consolidated Company's performance. Consequently, we have determined revenue recognition to be a key audit matter.

How the matter was addressed in our audit:

We tested the effectiveness of the Consolidated Company's controls on revenue recognition; evaluated whether the terms of sale were consistent with the accounting standards and checked relevant sales documents; analyzed and compared the changes in sales to major customers to assess the reasonableness of revenue recognition.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of D-LINK CORPORATION and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on D-LINK CORPORATION and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause D-LINK CORPORATION and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

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

Notes to Readers

The accompanying 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit 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 Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Common Share)

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net operating revenues (note 6(v) and 7)	\$ 15,179,443	100	16,996,048	100
5000	Operating costs (note 6(e), (r) and 7)	<u>10,404,148</u>	<u>69</u>	<u>12,256,516</u>	<u>72</u>
	Gross profit from operations	<u>4,775,295</u>	<u>31</u>	<u>4,739,532</u>	<u>28</u>
	Operating expenses: (note 6(c), (h), (i), (j), (m), (q), (r) and (w))				
6100	Selling expenses	2,623,485	17	3,168,206	19
6200	Administrative expenses	952,285	6	934,954	5
6300	Research and development expenses	1,127,417	7	1,064,731	6
6450	Reversal of expected credit losses (note 6(c))	<u>(8,118)</u>	<u>-</u>	<u>(43,603)</u>	<u>-</u>
		<u>4,695,069</u>	<u>30</u>	<u>5,124,288</u>	<u>30</u>
	Net operating income (loss)	<u>80,226</u>	<u>1</u>	<u>(384,756)</u>	<u>(2)</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(x))	16,524	-	41,921	-
7010	Other income (note 6(x) and 7)	2,542	-	6,721	-
7020	Other gains and losses (notes 6(f), (p), (x), (z) and 7)	1,342,742	9	23,678	-
7050	Finance costs (note 6(m), (p) and (x))	<u>(28,284)</u>	<u>-</u>	<u>(40,440)</u>	<u>-</u>
7060	Share of profit of associates accounted for using equity method (note 6(f))	<u>82,976</u>	<u>-</u>	<u>63,323</u>	<u>-</u>
	Total non-operating income and expenses	<u>1,416,500</u>	<u>9</u>	<u>95,203</u>	<u>(2)</u>
	Profit (loss) before tax	1,496,726	10	(289,553)	(2)
7950	Less: Income tax expenses (note 6(s))	<u>186,166</u>	<u>1</u>	<u>152,188</u>	<u>1</u>
	Net profit (loss)	<u>1,310,560</u>	<u>9</u>	<u>(441,741)</u>	<u>(3)</u>
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans	4,534	-	5,070	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,739	-	(11,305)	-
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	59,684	1	2,019	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>80,957</u>	<u>1</u>	<u>(4,216)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(t) and (y))				
8361	Exchange differences on translation of foreign financial statements	(439,672)	(3)	(86,804)	-
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	55,373	-	(10,826)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	<u>68,189</u>	<u>-</u>	<u>4,016</u>	<u>-</u>
		<u>(316,110)</u>	<u>(3)</u>	<u>(93,614)</u>	<u>-</u>
		<u>(235,153)</u>	<u>(2)</u>	<u>(97,830)</u>	<u>-</u>
8300	Other comprehensive loss, net				
	Total comprehensive income (loss) of tax	<u>\$ 1,075,407</u>	<u>7</u>	<u>(539,571)</u>	<u>(3)</u>
	Net profit (loss) attributable to:				
	Owners of parent	\$ 1,239,925	8	(508,327)	(3)
	Non-controlling interests	<u>70,635</u>	<u>1</u>	<u>66,586</u>	<u>-</u>
		<u>\$ 1,310,560</u>	<u>9</u>	<u>(441,741)</u>	<u>(3)</u>
	Comprehensive income (loss) attributable to:				
	Owners of parent	\$ 1,040,482	7	(585,979)	(3)
	Non-controlling interests	<u>34,925</u>	<u>-</u>	<u>46,408</u>	<u>-</u>
		<u>\$ 1,075,407</u>	<u>7</u>	<u>(539,571)</u>	<u>(3)</u>
	Basic earnings per share (New Taiwan dollars) (note 6(u))	<u>\$ 1.90</u>		<u>(0.78)</u>	
	Diluted earnings per share (New Taiwan dollars) (note 6(u))	<u>\$ 1.90</u>		<u>(0.78)</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 years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent							Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Retained earnings			Total other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				Others
Balance at January 1, 2019	6,519,961	1,669,905	2,107,941	-	216,200	(1,151,611)	(147,771)	(15,138)	9,199,487	417,445	9,616,932
Effects of retrospective application (accounted for using equity method)	-	-	-	-	(3,796)	-	-	-	(3,796)	-	(3,796)
Equity at beginning of period after adjustments	6,519,961	1,669,905	2,107,941	-	212,404	(1,151,611)	(147,771)	(15,138)	9,195,691	417,445	9,613,136
Net profit (loss)	-	-	-	-	(508,327)	-	-	-	(508,327)	66,586	(441,741)
Other comprehensive income (loss)	-	-	-	-	1,205	(85,090)	(5,421)	11,654	(77,652)	(20,178)	(97,830)
Total comprehensive income (loss)	-	-	-	-	(507,122)	(85,090)	(5,421)	11,654	(585,979)	46,408	(539,571)
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	10,638	-	(10,638)	-	-	-	-	-	-
Special reserve	-	-	-	205,562	(205,562)	-	-	-	-	-	-
Other changes in equity of associates accounted for using equity method	-	(5,898)	-	-	-	-	-	-	(5,898)	-	(5,898)
Cash dividends from legal reserve	-	(65,200)	-	-	-	-	-	-	(65,200)	-	(65,200)
Changes in non-controlling interests	-	(65,200)	-	-	-	-	-	-	(65,200)	-	(65,200)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	(11,258)	(11,258)
Balance at December 31, 2019	6,519,961	1,598,807	2,053,379	205,562	11,910	(1,236,701)	(11,910)	(3,484)	8,473,414	452,625	8,926,039
Net profit	-	-	-	-	(499,008)	(1,236,701)	(165,102)	-	1,239,925	70,635	1,310,560
Other comprehensive income (loss)	-	-	-	-	1,239,925	-	-	-	(199,443)	(35,710)	(235,153)
Total comprehensive income (loss)	-	-	-	-	4,534	(283,884)	76,423	3,484	1,040,482	34,925	1,075,407
Other changes in equity of associates accounted for using equity method	-	-	-	-	1,244,459	(283,884)	76,423	3,484	-	-	-
Changes in equity of associates accounted for using equity method	-	(75,494)	-	-	(178,907)	-	-	-	(254,401)	-	(254,401)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(6,690)	(6,690)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(73)	-	73	-	-	-	-
Balance at December 31, 2020	6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	-	9,259,495	480,860	9,740,355

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 years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Profit (loss) before tax	\$ 1,496,726	(289,553)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	246,409	271,684
Amortization expense	56,818	56,085
Reversal of expected credit losses	(8,118)	(43,603)
Net loss on financial assets or liabilities at fair value through profit or loss	14,478	82,774
Interest expense	28,284	40,440
Interest income	(16,524)	(41,921)
Dividend income	(879)	(4,909)
Share of profit of associates accounted for using equity method	(82,976)	(63,323)
Gain on disposal of investments	(1,297,668)	(36,016)
Other	(201,473)	(67,363)
Total adjustments to reconcile profit (loss)	<u>(1,261,649)</u>	<u>193,848</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(145,364)	(64,871)
Decrease in notes receivable	6,155	20,739
Decrease in accounts receivable	538,998	710,810
Decrease in other receivables	5,985	29,611
Decrease in inventories	794,445	372,202
Increase in other current assets	(159,480)	(19,938)
Decrease in other non-current assets	34,388	11,770
Total changes in operating assets	<u>1,075,127</u>	<u>1,060,323</u>
Increase (decrease) in current contract liabilities	6,552	(21,546)
(Decrease) increase in notes payable	(347)	182
Increase (decrease) in accounts payable	391,111	(227,357)
Decrease in accounts payable to related parties	(559,285)	(381,563)
Decrease in other payable	(98,387)	(235,112)
Decrease in current provisions	(23,155)	(36,402)
(Decrease) increase in current refund liabilities	(29,780)	46,417
Increase in other current liabilities	3,355	4,024
Decrease in other non-current liabilities	(2,819)	(51,063)
Total changes in operating liabilities	<u>(312,755)</u>	<u>(902,420)</u>
Total changes in operating assets and liabilities	<u>762,372</u>	<u>157,903</u>
Total adjustments	<u>(499,277)</u>	<u>351,751</u>
Cash inflow generated from operations	997,449	62,198
Interest received	16,524	41,921
Dividends received	40,027	121,671
Interest paid	(20,172)	(48,552)
Income taxes paid	(91,804)	(130,977)
Net cash flows from operating activities	<u>942,024</u>	<u>46,261</u>
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	28,833
Proceeds from disposal of investments accounted for using equity method	2,823,808	28,968
Acquisition of property, plant and equipment	(77,909)	(72,356)
Proceeds from disposal of property, plant and equipment	594	2,398
Increase in refundable deposits	1,491	50,368
Acquisition of intangible assets	(3,648)	(26,929)
Other investing activities	59,715	777
Net cash flows from investing activities	<u>2,804,051</u>	<u>12,059</u>
Cash flows used in financing activities:		
Decrease in short-term loans	-	(950,000)
Increase in guarantee deposits received	1,163	16,543
Payment of lease liabilities	(225,225)	(180,011)
Cash dividends paid	-	(130,400)
Change in non-controlling interests	(6,690)	(11,228)
Payment of bonds payable	(608)	-
Net cash flows used in financing activities	<u>(231,360)</u>	<u>(1,255,096)</u>
Effect of exchange rate changes on cash and cash equivalents	(439,672)	(86,804)
Net increase (decrease) in cash and cash equivalents	3,075,043	(1,283,580)
Cash and cash equivalents at beginning of period	3,141,284	4,424,864
Cash and cash equivalents at end of period	<u>\$ 6,216,327</u>	<u>3,141,284</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
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

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

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

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on March 17, 2021.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

The Consolidated Company has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$438 thousand.

- (ii) Other amendments

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

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

(Continued)

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

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

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

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

The Consolidated Company does not expect the following new and amended standards, which have not 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 IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

- (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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

(Continued)

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

(b) Basis of Preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Consolidated Company. The Consolidated 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 like transactions and other events in similar circumstances. Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Consolidated Company will attribute it to the owners of the parent.

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2020	December 31, 2019	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Investment Pte. Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	Yeo-Chia Investment Ltd. (Yeochia)	Investment company	100.00 %	100.00 %	
The Company	Yeo-Mao Investment Inc. (Yeomao)	Investment company	100.00 %	100.00 %	
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2020	December 31, 2019	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research, development, marketing and after-sales service	100.00 %	100.00 %	
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-Hai) Co., Ltd (D-Link Shiang-Hai)	Marketing and after sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-hai) Co., Ltd (Netpro Trading)	Research, development and trading	100.00 %	100.00 %	
D-Link Mediterraneo	D-Link Adria d.o.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D Link del Ecuador S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D Link del Ecuador S.A.S	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link ME	D Link NETWORK	Marketing and after-sales service	100.00 %	100.00 %	Incorporated in December 2019

(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 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 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.

(e) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

- (i) It is expected to be realized or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

(Continued)

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

- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

- (h) Financial Instruments

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

- (i) Financial assets

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

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

(Continued)

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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D-LINK CORPORATION AND SUBSIDIARIES

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

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

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

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D-LINK CORPORATION AND SUBSIDIARIES
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- 5) Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

- 6) Impairment of financial assets

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

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

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

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

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

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

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES
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7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Exchangeable bonds

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

3) Financial liabilities

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

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

4) Other financial liabilities

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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES
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5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

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

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

Cash flow hedges

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

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(i) Inventories

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

(j) Investment in associates

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

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

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

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

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

(k) Investment property

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

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(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(m) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Consolidated Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Consolidated Company has the right to direct the use of the asset throughout the period of use only if either:
 - the Consolidated Company has the right to direct how and for what purpose the asset is used throughout the period of use.

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D-LINK CORPORATION AND SUBSIDIARIES
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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Consolidated Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Consolidated Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

On the lease date or when reassessing whether the contract contains a lease, the company allocates the value in the contract to individual lease components based on the stand-alone price.

(ii) As a lessee

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

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

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

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

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

(Continued)

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Notes to the Consolidated Financial Statements

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

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

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

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

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

The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office building that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. As a practical expedient, the Consolidated Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

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

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

(iii) As a lessor

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

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

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

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

(n) Intangible assets

(i) Goodwill and trademark

1) Recognition

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

2) Subsequent measurement

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

(ii) Other intangible assets

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

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

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

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

(o) Impairment of non-financial assets

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

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

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

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

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Notes to the Consolidated Financial Statements

(p) Provisions

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

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(q) Revenue from contracts with customers

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

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

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

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

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Notes to the Consolidated Financial Statements

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(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.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(t) Income Taxes

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

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES
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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

(u) Earnings per share

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

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Notes to the Consolidated Financial Statements

(v) Operating segments

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

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Impairment of Accounts receivable

The Consolidated Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Consolidated Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Refer to Note 6(c) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

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

(c) Judgment on substantial control over the investee

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

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D-LINK CORPORATION AND SUBSIDIARIES
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(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 3,170	3,211
Checking and saving accounts	3,042,387	2,342,204
Cash equivalents	<u>3,170,770</u>	<u>795,869</u>
	<u><u>\$ 6,216,327</u></u>	<u><u>3,141,284</u></u>

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

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

(b) Financial Assets and Liabilities

(i) Details as follows

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss - current		
Beneficiary certificates – mutual funds	\$ 217,316	67,618
Cross currency swaps	20,861	2,474
Forward foreign exchange contracts	<u>774</u>	<u>457</u>
	<u><u>\$ 238,951</u></u>	<u><u>70,549</u></u>
Financial liabilities at fair value through profit or loss - current		
Cross currency swaps	\$ 8,469	12,802
Forward foreign exchange contracts	9,855	8,148
Exchangeable corporate bonds embedded derivative	<u>-</u>	<u>65,380</u>
	<u><u>\$ 18,324</u></u>	<u><u>86,330</u></u>
Financial assets at fair value through other comprehensive income - non-current		
Cameo Communication, Inc. (CAMEO)	\$ 364,655	359,778
Z-Com, Inc. (Z-Com)	33,165	40,483
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	3,504	2,245
Kaimei Electronic Corp. (Kaimei)	52,876	37,274
Venture Power Group Limited (Venture Power)	-	315
StemCyte International. LTD (Stemcyte)	<u>235</u>	<u>-</u>
	<u><u>\$ 454,435</u></u>	<u><u>440,095</u></u>

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

- 1) Kaimei — the Consolidated Company’s investee company accounted for as financial asset at fair value through other comprehensive income, has announced to become a 100% subsidiary of Teapo Electronic Corp. (Teapo) via share conversion in March 2019, with September 30, 2019 as the reference date of the share exchange, and the date of completion of the related procedures, based on the resolution made during the shareholders’ meeting in June 2019. The Consolidated Company recognized its retained earnings of \$168 thousand. In October 2019, Teapo changed its name to Kaimei.
 - 2) In 2020, Venture Power converted 10,922 shares into 18,950 shares of Stemcyte, an investee presented within financial assets measured at fair value through other comprehensive income (FVOCI).
 - 3) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(z).
 - 4) As of December 31, 2020 and 2019, no financial assets are pledged as collateral.
- (ii) Sensitivity analysis – equity market price risk:

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

Security price at reporting date	2020		2019	
	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	<u>\$ 13,607</u>	<u>5,085</u>	<u>13,184</u>	<u>1,582</u>
Decrease 3%	<u>\$ (13,607)</u>	<u>(5,085)</u>	<u>(13,184)</u>	<u>(1,582)</u>

- (iii) (Non-hedging) derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk arising from the Company’s operating, financing and investing activities. As of December 31, 2020 and 2019, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

- 1) Derivative financial assets

	December 31, 2020				December 31, 2019				
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:									
JPY	\$ 1,800,000	JPY	2021.01 ~2021.06	1,800,000	JPY	2020.07 ~2020.12			
EUR	10,000	EUR	2021.01	-		-			
RUB	-		-	192,014	RUB	2020.01 ~2020.02			

(Continued)

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

	December 31, 2020			December 31, 2019		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Forward foreign exchange contracts:						
JPY (sell)	-	-	-	220,000	JPY	2020.01 ~2020.02
BRL (sell)	15,502	BRL	2021.02	-	-	-
USD (buy)	-	-	-	2,500	USD	2020.01
RUB (buy)	150,028	RUB	2021.01	-	-	-

2) Derivative financial liabilities

	December 31, 2020			December 31, 2019		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 1,700	USD	2021.03	22,900	USD	2020.01 ~2020.03
CNH	110,588	CNH	2021.01 ~2021.02	95,880	CNH	2020.01 ~2020.02
EUR	1,000	EUR	2021.02	12,000	EUR	2020.01 ~2020.02
GBP	-	-	-	1,100	GBP	2020.01 ~2020.02
Forward foreign exchange contracts:						
EUR (sell)	4,200	EUR	2021.01 ~2021.03	7,000	EUR	2020.01 ~2020.02
BRL (sell)	3,740	BRL	2021.01	12,001	BRL	2020.01 ~2020.02
AUD (sell)	2,500	AUD	2021.01 ~2021.03	2,500	AUD	2020.01 ~2020.02
KRW (sell)	1,877,735	KRW	2021.01 ~2021.02	2,322,550	KRW	2020.01 ~2020.02
JPY (sell)	700,000	JPY	2021.01 ~2021.02	110,000	JPY	2020.04 ~2020.05
CAD (sell)	2,000	CAD	2021.01 ~2021.03	2,200	CAD	2020.01 ~2020.02
INR (sell)	221,346	INR	2021.01	-	-	-
CNH (sell)	-	-	-	14,193	CNH	2020.01
Exchangeable corporate bonds embedded derivative:						
TWD	-	-	-	299,600	TWD	2020.6

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

(c) Notes and accounts receivable and other receivables

	December 31, 2020	December 31, 2019
Notes receivable for operating activities	\$ 2,647	8,802
Accounts receivable	3,166,320	3,773,354
Other receivables	<u>55,821</u>	<u>61,806</u>
	3,224,788	3,843,962
Less: Loss allowance	<u>(104,954)</u>	<u>(197,721)</u>
	<u>\$ 3,119,834</u>	<u>3,646,241</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 the days past due, as well as incorporated forward looking information. The loss allowance provision as of 2020 and 2019 was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,638,059	0.33%	8,791
90 days or less past due	470,478	0.29%	1,381
91 to 180 days past due	4,096	14.97%	613
181 to 270 days past due	1,220	47.09%	575
271 to 360 days past due	4,382	81.23%	3,560
More than 360 days past due	<u>106,553</u>	84.50%	<u>90,034</u>
	<u>\$ 3,224,788</u>		<u>104,954</u>

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 3,028,837	0.95%	28,825
90 days or less past due	613,971	0.49%	2,994
91 to 180 days past due	20,956	5.46%	1,143
181 to 270 days past due	3,145	43.05%	1,354
271 to 360 days past due	255	83.80%	214
More than 360 days past due	<u>176,798</u>	92.30%	<u>163,191</u>
	<u>\$ 3,843,962</u>		<u>197,721</u>

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

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

	2020	2019
Balance at January 1, 2020 and 2019	\$ 197,721	251,129
Expected credit loss reversed	(8,118)	(43,603)
Amounts written off	(68,253)	(16,003)
Others	<u>(16,396)</u>	<u>6,198</u>
Balance at December 31, 2020 and 2019	<u>\$ 104,954</u>	<u>197,721</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, is as follows:

	December 31, 2020	December 31, 2019
Less than one year (Total lease payments receivable)	<u>\$ -</u>	<u>30,595</u>

(e) Inventories

	December 31, 2020	December 31, 2019
Finished goods	<u>\$ 2,442,783</u>	<u>2,836,939</u>

The operating cost comprises of cost of goods sold, write-down loss (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). For the year ended December 31, 2020 and 2019, the cost of goods delivered were \$10,302,279 thousand and \$11,872,164 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$386,285 thousand and \$474,001 thousand in 2020 and 2019, respectively. Write-down of inventories to net realizable value is recorded as cost of goods sold and decreased by \$284,416 thousand and \$89,649 thousand in 2020 and 2019, respectively because of out of stock in the market, active sales of inventory and scrap.

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

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

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2020	December 31, 2019
Associates	\$ <u>-</u>	<u>2,029,686</u>

(i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Main operating location Registered Country of the Company	Ownership interest/ Voting rights held	
			December 31, 2020	December 31, 2019
Alpha Networks, Inc. (Alpha)	The major business activities are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	- %	20.43 %

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

	November 30, 2020 (Unaudited)	December 31, 2019
Current assets	\$ 21,809,621	19,148,501
Non-current assets	6,198,278	5,851,867
Current liabilities	14,178,386	9,584,608
Non-current liabilities	<u>1,320,201</u>	<u>1,368,466</u>
Net assets	<u>\$ 12,509,312</u>	<u>14,047,294</u>
Net assets attributable to non-controlling interests	<u>\$ 2,981,613</u>	<u>4,066,496</u>
Net assets attributable to investee's shareholders	<u>\$ 9,527,699</u>	<u>9,980,798</u>

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

	2020.01 ~2020.11 (Unaudited)	2019
Operating revenue	\$ <u>28,570,311</u>	<u>15,825,808</u>
Net profit	\$ 558,270	238,903
Other comprehensive income (loss)	<u>93,124</u>	<u>(122,759)</u>
Total comprehensive income	\$ <u>651,394</u>	<u>116,144</u>
Total comprehensive income attributable to non-controlling interests	\$ <u>134,446</u>	<u>-</u>
Total comprehensive income attributable to investee's shareholders	\$ <u>516,948</u>	<u>116,144</u>
	2020.01 ~2020.11 (Unaudited)	2019
The Consolidated Company's share in associate's net assets at beginning of year	\$ 2,024,443	2,230,426
Comprehensive income attributable to the Consolidated Company	120,229	37,247
Changes in equity of associates using equity method	(185,836)	(6,361)
Dividends received from associates	(39,148)	(116,762)
Less: exchange of exchangeable bond and sell of shares	<u>(2,036,268)</u>	<u>(120,107)</u>
The Consolidated Company's share in associate's net assets at end of year	(116,580)	2,024,443
Less: unrealized gains or losses	-	(111,337)
Add: goodwill	<u>116,580</u>	<u>116,580</u>
Carrying amounts of investments accounted for using equity method	\$ <u>-</u>	<u>2,029,686</u>
2) The market value of public listed or OTC investees of the Consolidated Company accounted for using equity method was as follows:		
	November 30, 2020	December 31, 2019
Alpha	\$ <u>-</u>	<u>2,610,572</u>
3) In 2020 and 2019, the Consolidated Company disposed the investments of Alpha Networks Inc. and the proceeds of the disposals by using the equity method were \$1,292,494 thousand and \$32,975 thousand, respectively.		

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

(ii) Pledges

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

(g) Subsidiaries have material non-controlling interests

Non-controlling interests of subsidiary that are 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	
		December 31, 2020	December 31, 2019
D-Link India	India	48.98 %	48.98 %

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

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

	December 31, 2020	December 31, 2019
Current assets	\$ 1,374,919	1,361,790
Non-current assets	561,306	577,480
Current liabilities	594,912	642,433
Non-current liabilities	<u>25,432</u>	<u>19,872</u>
Net assets	<u>\$ 1,315,881</u>	<u>1,276,965</u>
Net assets attributable to non-controlling interests	<u>\$ 480,860</u>	<u>452,625</u>
	2020	2019
Operating revenues	<u>\$ 2,639,783</u>	<u>3,283,520</u>
Net income	\$ 144,211	135,945
Other comprehensive loss	<u>(72,906)</u>	<u>(41,196)</u>
Total comprehensive income	<u>\$ 71,305</u>	<u>94,749</u>
Net income attributable to non-controlling interests	<u>\$ 70,635</u>	<u>66,586</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 34,925</u>	<u>46,408</u>
Cash flows from operating activities	\$ 158,922	43,252
Cash flows used in investing activities	(405)	(1,412)
Cash flows (used in) from financing activities	<u>(86)</u>	<u>409</u>
Net increase in cash and cash equivalents	<u>\$ 158,431</u>	<u>42,249</u>
Cash dividends paid to non-controlling	<u>\$ 6,690</u>	<u>11,228</u>

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

(i) Right-of-use assets

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

	Buildings	Office equipment	Transportation equipment	Total
Cost:				
Balance at January 1, 2020	\$ 655,620	6,206	49,336	711,162
Increase	126,205	4,638	17,915	148,758
Decrease	(123,579)	(2,746)	(9,596)	(135,921)
Others	(14,241)	(51)	599	(13,693)
Balance at December 31, 2020	<u>\$ 644,005</u>	<u>8,047</u>	<u>58,254</u>	<u>710,306</u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	607,648	5,869	40,267	653,784
Balance at January 1, 2019 after adjustments	607,648	5,869	40,267	653,784
Increase	75,350	548	14,939	90,837
Decrease	(9,071)	-	(3,905)	(12,976)
Others	(18,307)	(211)	(1,965)	(20,483)
Balance at December 31, 2019	<u>\$ 655,620</u>	<u>6,206</u>	<u>49,336</u>	<u>711,162</u>
Accumulated Depreciation:				
Balance at January 1, 2020	\$ 139,283	2,421	15,381	157,085
Increase	137,767	2,654	17,778	158,199
Decrease	(61,248)	(967)	(9,596)	(71,811)
Others	(2,917)	(1,028)	620	(3,325)
Balance at December 31, 2020	<u>\$ 212,885</u>	<u>3,080</u>	<u>24,183</u>	<u>240,148</u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	-	-	-	-
Balance at January 1, 2019 after adjustments	-	-	-	-
Increase	148,012	2,485	19,682	170,179
Decrease	(4,966)	-	(3,905)	(8,871)
Others	(3,763)	(64)	(396)	(4,223)
Balance at December 31, 2019	<u>\$ 139,283</u>	<u>2,421</u>	<u>15,381</u>	<u>157,085</u>
Carrying amount:				
Balance at December 31, 2020	<u>\$ 431,120</u>	<u>4,967</u>	<u>34,071</u>	<u>470,158</u>
Balance at December 31, 2019	<u>\$ 516,337</u>	<u>3,785</u>	<u>33,955</u>	<u>554,077</u>

The Consolidated Company leases offices and warehouses under an operating lease, please refer to note 6(q).

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Notes to the Consolidated Financial Statements

(j) Investment property

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

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(x). Besides, direct operating expenses related to investment property were \$301 thousand and \$306 thousand in 2020 and 2019, respectively.

(Continued)

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

As of December 31, 2020 and 2019, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

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

(k) Intangible assets

	2020					Balance as of
	Balance as of	Increase	Decrease	Amortization	Others	December
	January 1,					31, 2020
	2020					
Goodwill	\$ 308,477	-	-	-	(13,018)	295,459
Trademark	144,235	-	-	-	(7,656)	136,579
Patents	20,411	-	-	(2,692)	-	17,719
Computer software costs	72,667	2,849	-	(32,403)	-	43,113
Other intangible assets	40,518	799	-	(21,723)	(1,135)	18,459
	<u>\$ 586,308</u>	<u>3,648</u>	<u>-</u>	<u>(56,818)</u>	<u>(21,809)</u>	<u>511,329</u>
	2019					Balance as of
	Balance as of	Increase	Decrease	Amortization	Others	December
	January 1,					31, 2019
	2019					
Goodwill	\$ 311,776	-	-	-	(3,299)	308,477
Trademark	147,239	-	-	-	(3,004)	144,235
Patents	23,103	-	-	(2,692)	-	20,411
Computer software costs	88,623	16,079	-	(32,035)	-	72,667
Other intangible assets	51,529	10,850	-	(21,358)	(503)	40,518
	<u>\$ 622,270</u>	<u>26,929</u>	<u>-</u>	<u>(56,085)</u>	<u>(6,806)</u>	<u>586,308</u>

(l) Long-term and short-term borrowings

As of December 31, 2020 and 2019, the Consolidated Company had no long term and short term loans. The Consolidated Company's unused line of credit for long-term and short-term loans were as follows:

	December 31,	December 31,
	2020	2019
Short-term loans	<u>\$ 3,464,541</u>	<u>4,326,671</u>
Long-term loans	<u>\$ 500,000</u>	<u>500,000</u>

(Continued)

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

(m) Lease liabilities

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

	December 31, 2020	December 31, 2019
Current	\$ <u>147,068</u>	<u>162,888</u>
Non-current	\$ <u>349,906</u>	<u>441,586</u>

The amounts recognized in profit or loss were as follows:

	2020	2019
Interests on lease liabilities	\$ <u>18,225</u>	<u>21,402</u>
Expenses relating to short-term leases	\$ <u>53,090</u>	<u>67,013</u>
COVID-19-related rent concessions	\$ <u>(438)</u>	<u>-</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>296,102</u>	<u>268,426</u>

(i) Real estate leases

As of December 31, 2020, the Consolidated Company leases buildings for its office space. The leases of office space typically ran for 1 to 10 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.

(n) Provisions-current

	2020					Balance at December 31, 2020
	Balance at January 1, 2020	Increase	Used	Reversed	Effect of exchange	
Warranties	\$ 122,656	18,811	(10,217)	(740)	(3,207)	127,303
Legal proceedings and royalties	<u>85,079</u>	<u>99,323</u>	<u>(12,938)</u>	<u>(36,224)</u>	<u>(2,590)</u>	<u>132,650</u>
	<u>\$ 207,735</u>	<u>118,134</u>	<u>(23,155)</u>	<u>(36,964)</u>	<u>(5,797)</u>	<u>259,953</u>

(Continued)

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

	2019						Balance at December 31, 2019
	Balance at January 1, 2019	Reclassification	Increase	Used	Reversed	Effect of exchange	
Warranties	\$ 144,619	-	11,202	(30,561)	-	(2,604)	122,656
Legal proceedings and royalties	<u>59,929</u>	<u>33,169</u>	<u>-</u>	<u>(5,841)</u>	<u>-</u>	<u>(2,178)</u>	<u>85,079</u>
	<u>\$ 204,548</u>	<u>33,169</u>	<u>11,202</u>	<u>(36,402)</u>	<u>-</u>	<u>(4,782)</u>	<u>207,735</u>

(o) Refund liabilities

	December 31, 2020	December 31, 2019
Refund liabilities	<u>\$ 555,409</u>	<u>585,189</u>

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

(p) Bonds payable

Exchangeable corporate bonds

	December 31, 2020	December 31, 2019
Exchangeable bonds	\$ 1,200,000	1,200,000
Less: Discount and unamortized issuance cost	-	1,403
Accumulated exchanged bonds	(1,199,400)	(900,400)
Due for repayment	<u>(600)</u>	<u>-</u>
Balance of exchangeable bonds	<u>\$ -</u>	<u>301,003</u>

Embedded derivatives:

Conversion options, included in financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>65,380</u>
	2020	2019

Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ 34,967</u>	<u>65,527</u>
Interest expense	<u>\$ 2,107</u>	<u>6,062</u>

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

(Continued)

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

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

- (i) Total issuance amount:

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

- (ii) Duration:

June 17, 2015 to June 17, 2020.

- (iii) Coupon rate for the bonds is zero.

- (iv) Payment term

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

- (v) Exchange period:

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

- (vi) Exchange price:

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

(Continued)

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

(vii) Early redemption option:

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

(viii) Put options:

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

(q) Operating leases

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

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

	December 31, 2020	December 31, 2019
Within one year	\$ 771	353
One to two years	<u>353</u>	<u>-</u>
Total undiscounted lease payments	<u><u>\$ 1,124</u></u>	<u><u>353</u></u>

(Continued)

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

(r) Employee benefits

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

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

Based on the Company's pension plan, each employee earns two units for the first fifteen years of service, and one unit for each additional year thereafter, subject to a maximum of forty-five units. Payments of retirement benefits are based on the number of units accrued and the average monthly salaries for the last six months prior to retirement.

1) Composition of plan assets

The Company contributes monthly an amount equal to 2% of each employee's monthly wages to the retirement fund deposited with Bank of Taiwan in accordance with the provisions of Labor Pension Act, whereby, the labor pension reserve account will make pension payment in advance.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$80,892 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Consolidated Company were as follows:

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

(Continued)

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

3) Movements in the fair value of the plan assets

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

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

4) Expenses recognized in profit or loss

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

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

5) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

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

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

(Continued)

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

6) Actuarial assumptions

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

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

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

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

7) Sensitivity analysis

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

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

The analysis of the impact of sensitivity was based on the situation that other assumptions remain constant. In actual situation, many changes in assumption might be linked. The method used in the sensitivity analysis was consistent with the calculation of pension liabilities in the balance sheets.

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

(ii) Defined contribution plans

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

(Continued)

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

The amount of the Company's pension expenses under defined contribution pension plans in 2020 and 2019 were as follows:

	2020	2019
Operating costs	\$ <u>6,504</u>	<u>8,220</u>
Operating expenses	\$ <u>128,248</u>	<u>124,844</u>

(s) Income Taxes

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

	2020	2019
Current income tax expense	\$ 115,228	86,224
Deferred tax expense		
Origination and reversal of temporary differences	<u>70,938</u>	<u>65,964</u>
Income tax expenses	\$ <u>186,166</u>	<u>152,188</u>

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

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

Reconciliation of income tax expense and profit (loss) before tax for the Consolidated Company was as follows:

	2020	2019
Profit (loss) before income tax	\$ <u>1,496,726</u>	<u>(289,553)</u>
Income tax using the Company's statutory tax rate	299,345	(57,910)
Effect of tax rate in foreign jurisdiction	(66,149)	25,430
Share of (loss) profit of associates accounted for using equity method	(3,689)	202,049
Tax-exempt income	(13,682)	(13,162)
Change in unrecognized temporary differences	23,574	(86,127)
Income tax adjustments on prior years and others	<u>(53,233)</u>	<u>81,908</u>
	\$ <u>186,166</u>	<u>152,188</u>

(Continued)

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

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets for the Consolidated Company were as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences		
Unrealized expenses	\$ 108,593	137,816
Provisions for warranty	13,912	13,157
Unrealized impairment	24,318	24,318
Write-down of inventories to net realizable value	42,136	73,952
Others	<u>70,727</u>	<u>54,976</u>
	<u>259,686</u>	<u>304,219</u>
Operating loss carry forward	<u>1,095,796</u>	<u>1,027,689</u>
	<u>\$ 1,355,482</u>	<u>1,331,908</u>

(ii) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Intra-group transactions	Exchange differences on translation of foreign financial statements	Unrealized expenses	Write down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:								
Balance at January 1, 2020	\$ 96,045	209,692	29,882	36,323	2,318	192,003	67,984	634,247
Recognized in profit or loss	(30,527)	-	(9,026)	(10,378)	(1,444)	96,952	(2,378)	43,199
Exchange differences on translation of foreign financial statements	-	68,189	-	-	-	-	-	68,189
Balance at December 31, 2020	<u>\$ 65,518</u>	<u>277,881</u>	<u>20,856</u>	<u>25,945</u>	<u>874</u>	<u>288,955</u>	<u>65,606</u>	<u>745,635</u>
Balance at January 1, 2019	\$ 100,477	205,676	50,520	38,034	1,893	50,412	86,455	533,467
Recognized in profit or loss	(4,432)	-	(20,638)	(1,711)	425	141,591	(18,471)	96,764
Exchange differences on translation of foreign financial statements	-	4,016	-	-	-	-	-	4,016
Balance at December 31, 2019	<u>\$ 96,045</u>	<u>209,692</u>	<u>29,882</u>	<u>36,323</u>	<u>2,318</u>	<u>192,003</u>	<u>67,984</u>	<u>634,247</u>

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

	Investments under equity method	Others	Total
Deferred income tax liabilities:			
Balance at January 1, 2020	\$ 143,177	25,519	168,696
Recognized in profit or loss	<u>99,254</u>	<u>14,883</u>	<u>114,137</u>
Balance at December 31, 2020	<u>\$ 242,431</u>	<u>40,402</u>	<u>282,833</u>
Balance at January 1, 2019	\$ -	5,968	5,968
Recognized in profit or loss	<u>143,177</u>	<u>19,551</u>	<u>162,728</u>
Balance at December 31, 2019	<u>\$ 143,177</u>	<u>25,519</u>	<u>168,696</u>

In accordance with the laws of each registered country, the assessed losses can be used to offset current-year net income. In addition, pursuant to the ROC Income Tax Act, net loss of the Company, Yeochia, Yeomao and Yeotai as assessed by the tax authorities can be carried forward for ten consecutive years to reduce future taxable income. As of December 31, 2020, the Consolidated Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Consolidated entity	Year of loss	Year of expiry	Unused amount
The Company	2017	2027	1,740,912
The Company	2019	2029	172,882
The Company	2020	2030	546,006
Yeochia	2014	2024	2,719
Yeomao	2020	2030	157
Yeotai	2011	2021	2,039
Yeotai	2014	2024	2,813
Yeotai	2016	2026	1,330
Yeotai	2019	2029	5,947
D-Link Europe	2003 and 2015~2016	Unlimited	39,243
D-Link Brazil	2014~2019	Unlimited	807,231
D-Link Trade	2015	2025	36,787
D-Link Shiang-Hai	2017~2019	2022~2024	305,303
D-Link Mexicana	2014~2015 and 2017~2019	2024~2025 and 2027~2029	109,710
D-Link Systems	2018~2020	2038~2040	491,496
D-Link International	2015~2019	Unlimited	1,705,441
D-Link Korea	2012~2019	2022~2029	<u>65,136</u>
			<u>\$ 6,035,152</u>

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

The income tax returns of the Company, YEOCHIA, YEOTAI and YEOMAO have been examined by the tax authority through 2018.

(t) Capital and other equity

(i) Common stock

As of December 31, 2020 and 2019, the authorized capital amounted to \$8,800,000 thousand (including \$750,000 thousand authorized for the issuance of the employee stock options). As of December 31, 2020 and 2019, the paid-in Consolidated Company's authorized common stock consisted 651,996 thousand shares, with a par value of \$10 per share, amounting to \$6,519,961 thousand.

(ii) Capital surplus

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

	December 31, 2020	December 31, 2019
Common stock in excess of par value	\$ 1,217,030	1,217,030
Treasury share transactions	39,310	39,310
Changes in equities of associates accounted for using equity method	740	76,234
Expiry of share-based payment transactions	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<u>\$ 1,523,313</u>	<u>1,598,807</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.

(iii) Retained earnings

1) Legal reserve

According to the ROC 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.

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on 6 April, 2012, a special reserve equivalent to the net debit balance of 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 has no earnings to distribute in 2019 due to the accumulated deficit.

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

4) Dividend policy

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

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D-LINK CORPORATION AND SUBSIDIARIES
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(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2020	\$ (1,236,701)	(165,102)	(3,484)
The Consolidated Company	(335,773)	16,739	-
Associates	51,889	59,684	3,484
The Consolidated Company-disposal	-	73	-
Balance at December 31, 2020	<u>\$ (1,520,585)</u>	<u>(88,606)</u>	<u>-</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2019	\$ (1,151,611)	(147,771)	(15,138)
The Consolidated Company	(62,610)	(11,305)	-
Associates	(22,480)	5,884	11,654
The Consolidated Company-disposal	-	(11,910)	-
Balance at December 31, 2019	<u>\$ (1,236,701)</u>	<u>(165,102)</u>	<u>(3,484)</u>

(v) Non-controlling interests

	2020	2019
Balance at the beginning of the period	\$ 452,625	417,445
Net income attributable to non-controlling interest:		
Net income	70,635	66,586
Exchange differences on translation of foreign financial statements	(35,710)	(20,178)
Cash dividends distributed by subsidiaries	(6,690)	(11,228)
Balance at the end of the period	<u>\$ 480,860</u>	<u>452,625</u>

(u) Earnings per share

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

	2020	2019
Net profit (loss) of the parent company for the year	<u>\$ 1,239,925</u>	<u>(508,327)</u>
Outstanding ordinary shares	<u>651,996</u>	<u>651,996</u>
Basic earnings (loss) per share	<u>\$ 1.90</u>	<u>(0.78)</u>

(Continued)

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

(ii) Diluted earnings per share

	2020	2019
Net profit (loss) of the parent company for the year	\$ <u><u>1,239,925</u></u>	<u><u>(508,327)</u></u>
Weighted average number of outstanding ordinary shares (based)	\$ 651,996	651,996
Employees' bonuses have not been resolved by the directors' meeting	<u>1,496</u>	<u>44</u>
Weighted average number of ordinary shares (diluted)	<u><u>653,492</u></u>	<u><u>652,040</u></u>
Diluted earnings (loss) per share	\$ <u><u>1.90</u></u>	<u><u>(0.78)</u></u>

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

(v) Revenue from contracts with customers

(i) Revenue from customer contract

Major product / service lines	2020	2019
Network communication products	\$ 15,016,762	16,847,803
Services	<u>162,681</u>	<u>148,245</u>
	<u><u>\$ 15,179,443</u></u>	<u><u>16,996,048</u></u>
Primary geographical markets	2020	2019
Europe	\$ 3,110,121	3,382,293
Others	<u>12,069,322</u>	<u>13,613,755</u>
	<u><u>\$ 15,179,443</u></u>	<u><u>16,996,048</u></u>

(ii) Contract liabilities

1) Contract liabilities related to revenue recognized by customer contract:

	December 31, 2020	December 31, 2019
Current contract liabilities (sales)	\$ <u><u>123,995</u></u>	<u><u>117,443</u></u>

2) The amount of revenue recognized for the years ended December 31, 2020 and 2019 was included in the contract liability balance at the beginning of the period were \$81,378 thousand and \$90,034 thousand, respectively.

(Continued)

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

(w) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, if the Company incur profit for the year, the Company should contribute a minimum of 1% to a maximum of 15% of annual profit as employee compensation and less than 1% of annual profit as directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits. The profit shall be considered as the annual income before tax, excluding employee compensation and directors' remuneration. The amount of remuneration of directors and the compensation for employees shall be decided by two-third of the voting rights exercised by the directors present at the board of directors' meeting who represent a majority of the directors and reported at stockholders' meeting. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific conditions.

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

The Company was not required to accrue employee compensation and directors' remuneration due to the loss in 2019.

There are no differences between the aforementioned employee compensation and directors' remuneration resolved by the board of directors' meeting and amounts accrued in the Company's financial statements ended in 2020 and 2019. Related information would be available at the Market Observation Post System website.

(x) Other income and losses

(i) Interest income

	2020	2019
Interest income from bank deposits	\$ 16,524	41,921

(ii) Other income

	2020	2019
Rent income	\$ 1,663	1,812
Dividend income	879	4,909
Total	\$ 2,542	6,721

(iii) Other gains and losses

	2020	2019
Gain on disposals of investments	\$ 1,297,668	36,016
Foreign exchange (losses) gains	(11,695)	43,243
Valuation losses from financial assets and liabilities	(14,478)	(82,774)
Others	71,247	27,193
	\$ 1,342,742	23,678

(Continued)

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

(iv) Finance costs

	2020	2019
Interest expense	\$ (10,059)	(19,038)
Lease liability interests	(18,225)	(21,402)
Total	\$ (28,284)	(40,440)

(y) Reclassification adjustments of components of other comprehensive income

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

	2020	2019
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ (403,962)	(66,626)
Change in exchange from non-controlling interests	(35,710)	(20,178)
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	\$ (439,672)	(86,804)
Share of other comprehensive income of associates accounted for using equity method		
Change in foreign currency exchange from associates	\$ (3,343)	(24,092)
Reclassification to profit or loss	55,517	1,965
Change in other comprehensive income from associates	3,199	11,301
Share of other comprehensive income from associates	\$ 55,373	(10,826)

(z) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 6,216,327	3,141,284
Financial assets at fair value through profit or loss - current	238,951	70,549
Notes receivable, accounts receivable and other receivables (including related parties)	3,119,834	3,646,458
Financial lease payment receivable	-	30,595
Financial assets at fair value through other comprehensive income - non-current	454,435	440,095
Refundable deposits and other current assets	222,152	106,815
	\$ 10,251,699	7,435,796

(Continued)

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

2) Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss - current	18,324	86,330
Notes payable, accounts payable and other payables (including related parties)	4,125,129	4,383,925
Bonds payable	-	301,003
Guarantee deposits received	70,284	69,121
Lease liability (current and non-current)	<u>496,974</u>	<u>604,474</u>
	<u><u>\$ 4,710,711</u></u>	<u><u>5,444,853</u></u>

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the maximum exposure to credit risk has amounted to \$10,251,699 thousand, and \$7,435,796 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.

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2020							
Non-derivative financial liabilities							
Notes payable	\$ 230	230	230	-	-	-	-
Accounts payable	2,376,692	2,376,692	2,376,692	-	-	-	-
Accounts payable - related parties	367,482	367,482	367,482	-	-	-	-
Other payables	1,380,725	1,380,725	1,380,725	-	-	-	-
Lease liability	496,974	534,623	82,029	79,850	132,514	185,190	55,040
Guarantee deposits received	70,284	70,284	70,284	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	8,469	565,924	565,924	-	-	-	-
Inflow	-	558,265	558,265	-	-	-	-
Forward foreign exchange contracts							
Outflow	9,855	595,458	595,458	-	-	-	-
Inflow	-	586,896	586,896	-	-	-	-
	<u>\$ 4,710,711</u>	<u>7,036,579</u>	<u>6,583,985</u>	<u>79,850</u>	<u>132,514</u>	<u>185,190</u>	<u>55,040</u>

(Continued)

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

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2019							
Non-derivative financial liabilities							
Notes payable	\$ 577	577	577	-	-	-	-
Accounts payable	1,985,581	1,985,581	1,985,581	-	-	-	-
Accounts payable - related parties	926,767	926,767	926,767	-	-	-	-
Other payables	1,471,000	1,471,000	1,471,000	-	-	-	-
Bonds payable	301,003	301,003	301,003	-	-	-	-
Lease liability	604,474	658,979	101,824	77,868	118,975	225,808	134,504
Guarantee deposits received	69,121	69,121	69,121	-	-	-	-
Derivative financial liabilities							
Exchangeable corporate bonds embedded derivative							
	65,380	65,380	65,380	-	-	-	-
Cross currency swaps							
Outflow	12,802	1,557,422	1,557,422	-	-	-	-
Inflow	-	1,546,745	1,546,745	-	-	-	-
Forward foreign exchange contracts							
Outflow	8,148	582,041	582,041	-	-	-	-
Inflow	-	574,257	574,257	-	-	-	-
	<u>\$ 5,444,853</u>	<u>9,738,873</u>	<u>9,181,718</u>	<u>77,868</u>	<u>118,975</u>	<u>225,808</u>	<u>134,504</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.

(iv) Currency risk

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

	2020			2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets (note):						
Monetary items:						
CLP	\$ 203,714	0.04	8,165	56,967	0.04	2,303
JPY	1,438,073	0.28	396,985	741,389	0.28	205,365
CAD	16,704	22.40	374,126	14,450	23.18	334,982
USD	218,439	28.51	6,227,244	188,140	30.11	5,664,128
MXN	2,218	1.43	3,171	2,222	1.60	3,545
BRL	25,011	5.49	137,208	15,523	7.47	115,942
AUD	7,530	21.96	165,355	4,870	21.11	102,811
			<u>\$ 7,312,254</u>			<u>6,429,076</u>

(Continued)

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

		2020			2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Non-monetary items:							
USD	\$ 7,754	28.51	<u>221,056</u>	2,331	30.11	<u>70,178</u>	
Derivative financial instruments:							
EUR	\$ 345	34.84	12,011	-	-	-	
USD	-	-	-	7	30.11	220	
JPY	32,059	0.28	8,850	6,253	0.28	1,731	
RUB	569	0.39	220	2,015	0.49	980	
BRL	101	5.49	<u>554</u>	-	-	-	
			<u>\$ 21,635</u>			<u>2,931</u>	
Financial liabilities (note):							
Monetary items:							
JPY	\$ 2,022,386	0.28	557,803	1,899,117	0.28	526,055	
CAD	1,359	22.40	30,440	1,496	23.18	34,685	
EUR	10,045	34.84	349,937	-	-	-	
BRL	26,604	5.49	145,944	22,868	7.47	170,802	
USD	120,732	28.51	3,441,834	140,679	30.11	4,235,274	
CLP	180,271	0.04	7,226	192,906	0.04	7,799	
AUD	2,740	21.96	60,160	1,609	21.11	33,964	
MXN	104	1.43	<u>148</u>	119	1.60	<u>190</u>	
			<u>\$ 4,593,492</u>			<u>5,008,769</u>	
Derivative financial instruments:							
EUR	91	34.84	3,184	235	33.75	7,941	
GBP	-	-	-	13	39.92	538	
CAD	36	22.40	797	24	23.18	545	
JPY	5,040	0.28	1,391	601	0.28	167	
KRW	30,795	0.03	828	12,196	0.03	328	
BRL	103	5.49	565	331	7.47	2,473	
USD	32	28.51	917	72	30.11	2,164	
CNH	1,863	4.37	8,140	1,215	4.32	5,241	
AUD	114	21.96	<u>2,502</u>	74	21.11	<u>1,553</u>	
			<u>\$ 18,324</u>			<u>20,950</u>	

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

Since the Consolidated Company has various functional currencies, the information on foreign currency exchange gains and losses on monetary items is aggregately disclosed by total amount. The total foreign currency exchange gain and losses, including realized and unrealized, were losses \$11,695 thousand and gains \$43,243 thousand for the years ended December 31, 2020 and 2019, respectively.

(Continued)

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

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency as of December 31, 2020 and 2019 would have increased or decreased the net income (loss) after tax by \$35,273 thousand and \$17,669 thousand and increased or decreased the equity by \$56 thousand and \$38 thousand, respectively, assuming all other variables were held constant.

(v) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

		December 31, 2020			
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	\$ 217,316	217,316	-	-	
Financial assets at fair value through other comprehensive income	454,435	450,696	-	3,739	
Derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss - current	21,635	-	21,635	-	
Liabilities:					
Financial liabilities at fair value through profit or loss - current	18,324	-	18,324	-	
		December 31, 2019			
Assets and liabilities	Total	Level 1	Level 2	Level 3	
Measured at fair value on recurring basis					
Non-derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss - current	\$ 67,618	67,618	-	-	
Financial assets at fair value through other comprehensive income	440,095	437,535	-	2,560	
Derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss - current	2,931	-	2,931	-	
Liabilities:					
Financial liabilities at fair value through profit or loss - current	86,330	-	86,330	-	

(Continued)

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

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

As of December 31, 2020 and 2019, 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, 2020	\$ 2,560
Recognized in other comprehensive income	<u>1,179</u>
Balance at December 31, 2020	<u>\$ 3,739</u>
Balance at January 1, 2019	\$ 4,446
Recognized in other comprehensive income	<u>(1,886)</u>
Balance at December 31, 2019	<u>\$ 2,560</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	2020	2019
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”	\$ 1,179	(1,886)

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.

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

Quantified information of significant unobservable inputs was as follows:

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

(vi) Assets and liabilities not measured at fair value

1) Information of fair value

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

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

2) Valuation techniques

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

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

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

(aa) Financial risk management

(i) Overview

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

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

The following likewise discusses the Consolidated Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks 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 personnel change in department directors should be reported to the Board of Directors.

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

The Board of Directors and Independent Directors 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 is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and Independent Directors.

(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.

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

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 December 31, 2020 and 2019, revenue from each customer does not exceed 10% of the Consolidated Company's revenue and therefore, there is no concentration of credit risk.

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 December 31, 2020 and 2019, the Consolidated Company has not provided any guarantees to a third party.

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

(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. The Consolidated Company had unused credit facilities for \$3,964,541 thousand as of December 31, 2020.

(v) Market risk

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

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

1) Currency risk

The Consolidated Company is exposed to currency risk on sales, purchases and loans that are denominated in currencies other than its respective functional currencies. The functional currencies of the Consolidated Company are primarily denominated in New Taiwan Dollars (TWD) and US Dollars (USD) and include denominated in Euro (EUR), Chinese Yuan (CNY), Japanese Yen (JPY) and Brazilian Real (BRL) of other countries in which the subsidiaries registered. Purchases are mainly denominated in USD while sales are denominated in USD, EUR, CNY, TWD, British Pounds (GBP), Australian Dollar (AUD), Canadian Dollar (CAD), JPY, South Korean Won (KRW), Russian Ruble (RUB), Indian Rupee (INR), BRL, and 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 assets and liabilities denominated in foreign currencies and maintained the hedge ratio at 50% and above. The Consolidated Company uses forward exchange contracts and foreign-exchange options, with a maturity of less than one year from the reporting date, to hedge its currency risks.

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

(Continued)

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

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

2) Interest rate risk

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

3) Other price risks

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

(ab) Capital management

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

Debt-to-equity ratio:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 6,209,875	6,784,971
Less: cash and cash equivalents	<u>(6,216,327)</u>	<u>(3,141,284)</u>
Net debt	<u>\$ (6,452)</u>	<u>3,643,687</u>
Total equity	<u>\$ 9,740,355</u>	<u>8,926,039</u>
Debt-to-equity ratio	<u>(0.07)%</u>	<u>40.82%</u>

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

(Continued)

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

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

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

- (i) For right-to-use assets, please refer to note 6(m).
- (ii) For exchangeable corporate bonds, please refer to note 6(p).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	<u>Non-cash changes</u>					December 31, 2020
	January 1, 2020	Cash flows	Exchange	Fair value changes	Others	
Bonds payable	\$ 301,003	(608)	(302,502)	2,107	-	-
Lease liabilities	604,474	(225,225)	-	-	117,725	496,974
Others	69,121	1,163	-	-	-	70,284
Total liabilities from financing activities	<u>\$ 974,598</u>	<u>(224,670)</u>	<u>(302,502)</u>	<u>2,107</u>	<u>117,725</u>	<u>567,258</u>

	<u>Non-cash changes</u>					December 31, 2019
	January 1, 2019	Cash flows	Exchange	Foreign exchange movement	Fair value changes	
Short-term loan	\$ 950,000	(950,000)	-	-	-	-
Bonds payable	386,019	-	(91,078)	6,062	-	301,003
Lease liabilities	742,889	(180,011)	-	-	41,596	604,474
Others	52,578	16,543	-	-	-	69,121
Total liabilities from financing activities	<u>\$ 2,131,486</u>	<u>(1,113,468)</u>	<u>(91,078)</u>	<u>6,062</u>	<u>41,596</u>	<u>974,598</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Consolidated Company
Alpha Networks, Inc.	An associate (Since all the equity shares in it have been sold, it became a non-related party after November 30, 2020.)
Dongguam Mingrui	An associate (Since all the equity shares in Alpha Networks, Inc. have been sold, it became a non-related party after November 30, 2020.)
D-Link Asia Investment Pte Ltd.	An associate (Since all the equity shares in Alpha Networks, Inc. have been sold, it became a non-related party after November 30, 2020.)
Miiicasa Holding	An associate
Cameo Communication, Inc.	The company is the director of Cameo.

(Continued)

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

(b) Significant related party transactions

(i) Sales and service revenue

	2020	2019
Associates	\$ 328	463
Others	<u>63</u>	<u>-</u>
	<u>\$ 391</u>	<u>463</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

	2020	2019
Associates:		
Alpha	\$ 1,236,932	2,227,506
Others	-	85
Other related-parties:		
Cameo	<u>1,445,981</u>	<u>1,613,073</u>
	<u>\$ 2,682,913</u>	<u>3,840,664</u>

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

(iii) Receivables from related parties

Account	Relationship	December 31, 2020	December 31, 2019
Accounts receivable	Associates – Alpha	\$ -	217
Other receivables	Associates – Alpha	-	847
Other receivables	Associates – Others	-	4
Other receivables	Other related parties – Cameo	29	35
Other current assets	Other related parties – Cameo	<u>18,520</u>	<u>-</u>
		<u>\$ 18,549</u>	<u>1,103</u>

(iv) Payables to related parties

Account	Relationship	December 31, 2020	December 31, 2019
Accounts payable	Associates – Alpha	\$ -	538,164
Accounts payable	Other related-parties – Cameo	367,482	388,603
Other payables	Associates – Alpha	-	11,919
Other payables	Other related-parties – Cameo	<u>18,560</u>	<u>20,011</u>
		<u>\$ 386,042</u>	<u>958,697</u>

(Continued)

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

(v) Services purchased from related parties

The services purchased from related-parties were as follows:

	2020	2019
Associates:		
Alpha	\$ 23,593	15,777
Others	151	472
Other related-parties:		
Cameo	<u>29,881</u>	<u>28,118</u>
	<u><u>\$ 53,625</u></u>	<u><u>44,367</u></u>

(vi) Property transaction

1) Property, plant and equipment acquired

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

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

- 2) The Consolidated Company sold its patents which are in the process of application to MiiiCasa Holding for \$20,735 thousand (USD700 thousand) in March 2012. The unrealized profits due to the abovementioned transactions amounting to \$0 thousand was recognized under other non-current liabilities; and the realized profits of \$20,735 thousand was recognized under other gains and losses.

Account	Relationship	2020	2019
Other gains and Losses	Associates	<u>\$ -</u>	<u>2,160</u>

(vii) Other gains and losses

Account	Relationship	2020	2019
Other gains and losses	Associates – Alpha	<u>\$ 2,079</u>	<u>800</u>

(Continued)

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

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 41,997	38,437
Post-employee benefits	<u>1,228</u>	<u>1,745</u>
	<u>\$ 43,225</u>	<u>40,182</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	<u>\$ 52,436</u>	<u>113,864</u>

(9) Significant commitments and contingencies:

- (a) XR Communications, LLC and DBA Vivato Technologies filed a lawsuit against the Company's subsidiary, D-Link Systems, in April 2017, alleging that some of the D-Link Systems' products infringed its patents. D-Link Systems has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (b) The Consolidated Company's subsidiary, D-Link Brazil, had disputes regarding prior year's declaration tax on industrialized products with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.
- (c) Parity Networks, LLC filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (d) UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (e) Cedar Lane Technologies Inc. filed a lawsuit against the Company in December 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(Continued)

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

- (f) Rock Creek Networks, LLC filed a lawsuit against the Company in January 2021, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (g) As of December 31, 2020 and 2019, the Consolidated Company's outstanding stand-by letters of credit for purchasing inventories were \$0 thousand and \$12,894 thousand, respectively.
- (h) The Consolidated Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the amount of liabilities are unclear. The Consolidated Company has accrued the possible expense.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

Since Cameo Communications, Inc. is one of the main suppliers of the Consolidated Company and the two parties are closely cooperating in the research and development and the manufacturing process, the board of directors approved the Consolidated Company to contribute with an amount of \$799,999 thousand at the price of \$8.19 per share in the private issuance of common stock for cash of Cameo Communications Inc. on February 2, 2021. The Consolidated Company holds 41.58% shares of Cameo Communications Inc.

(12) Other:

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

By item	By function	For the year ended December 31					
		2020			2019		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		66,333	2,235,988	2,302,321	78,837	2,359,026	2,437,863
Labor and health insurance		2,635	122,753	125,388	2,637	137,171	139,808
Pension		6,527	129,416	135,943	8,240	126,124	134,364
Others		8,413	238,255	246,668	9,172	266,359	275,531
Depreciation		15,154	231,255	246,409	13,253	258,431	271,684
Amortization		58	56,760	56,818	71	56,014	56,085

(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	Item	Value		
1	D-Link International	D-Link Corporation	Other receivables - related parties	Yes	570,160	570,160	-	-	2	-	Operating Capital	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (Shiang-Hai)	Other receivables - related parties	Yes	43,690	43,690	16,165	4.00	2	-	Operating Capital	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Brazil	Other receivables - related parties	Yes	57,016	57,016	-	-	2	-	Operating Capital	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Latin-America Company Ltd.	Other receivables - related parties	Yes	599,852	599,852	599,852	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (Shiang-Hai)	Other receivables - related parties	Yes	534,213	534,213	534,213	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Korea Limited	Other receivables - related parties	Yes	32,960	16,755	16,755	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Brazil LTDA	Other receivables - related parties	Yes	14,343	-	-	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (INDIA) Ltd	Other receivables - related parties	Yes	2,958	2	2	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Investment Ptd. Ltd.	Other receivables - related parties	Yes	1,110	1,110	1,110	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Trade M	Other receivables - related parties	Yes	736	567	567	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
1	D-Link International	Wishif Pte. Ltd.	Other receivables - related parties	Yes	567	-	-	-	2	-	Convert from Account receivables to loan receivable	-	-	-	-	2,537,619	2,537,619
2	D-Link Russia Investment	D-Link International	Other receivables - related parties	Yes	701,297	701,297	698,446	-	2	-	Operating Capital	-	-	-	-	712,621	712,621
3	D-Link Japan K.K.	D-Link Corporation	Other receivables - related parties	Yes	496,895	496,895	496,895	0.50	2	-	Operating Capital	-	-	-	-	690,093	690,093
4	D-Link Europe	D-Link Corporation	Other receivables - related parties	Yes	348,368	348,368	348,368	1.00	2	-	Operating Capital	-	-	-	-	1,340,632	1,340,632
5	Yeosai	Yeosao	Other receivables - related parties	Yes	20,000	20,000	-	-	2	-	Operating Capital	-	-	-	-	25,245	25,245

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purpose 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		
6	D-Link (Deutschland) GmbH	D-Link Europe	Other receivables - related parties	Yes	174,184	174,184	107,994	1.00	2	-	Operating Capital	-	-	-	184,524	184,524
7	D-Link Systems, Inc	D-Link International Pte Ltd	Other receivables - related parties	Yes	295,390	295,390	295,390	-	2	-	Convert from Account receivables to loan receivable	-	-	-	1,447,664	1,447,664

Note 1: Purpose of fund financing for the borrower:

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

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

Note 3: Total amount of loans from D-Link Russia Investment to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Russia Investment. The ending amount and the funding loan limits are calculated by the unaudited balance.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Japan K.K. The ending amount and the funding loan limits are calculated by the unaudited balance.

Note 5: Total amount of loans from D-Link Europe 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 Europe.

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

Note 7: Total amount of loans from D-Link Deutschland to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Deutschland. The ending amount and the funding loan limits are calculated by the unaudited balance.

Note 8: Total amount of loans from D-Link Systems Inc. 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 Systems Inc.

Note 9: Only disclose funding loan limits that are still valid until end the year of 2020.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	2,173,320	129,801	129,801	66,864	-	1.39 %	6,519,961	Y		
0	D-Link Corporation	D-Link Shiang-Hai	2	2,173,320	71,270	71,270	-	-	0.77 %	6,519,961	Y		Y
0	D-Link Corporation	D-Link Trade	2	2,173,320	14,254	14,254	-	-	0.15 %	6,519,961	Y		

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

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

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

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

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

(Continued)

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

(iii) Securities held as of December 31, 2020 (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	Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)			
D-Link Corporation	CAMEO	The Company is the director of CAMEO	Financial assets at fair value through other comprehensive income - non current	39,852,993	364,655	17.35 %	364,655	17.35 %	
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss - non current	749,663	-	4.11 %	-	4.11 %	
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss - non current	83,334	-	1.89 %	-	1.89 %	
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss - non current	500,000	-	1.84 %	-	1.84 %	
D-Link Corporation	YICHA Information Corporation	None	Financial assets at fair value through profit or loss - non current	73,500	-	6.68 %	-	6.68 %	
D-Link Corporation	UBICOM	None	Financial assets at fair value through profit or loss - non current	926,814	-	3.05 %	-	3.05 %	
D-Link Corporation	Purple	None	Financial assets at fair value through profit or loss - non current	3,385,417	-	14.10 %	-	14.10 %	
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss - non current	6,600,000	-	2.39 %	-	2.39 %	
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss - non current	600,000	-	1.88 %	-	1.88 %	
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss - non current	252,525	-	0.05 %	-	0.05 %	
Yeochia	STEMCYTE	None	Financial assets at fair value through other comprehensive income - non current	18,950	235	0.02 %	235	0.02 %	
Yeochia	Z-Com	None	Financial assets at fair value through other comprehensive income - non current	3,064,041	32,632	4.23 %	32,632	4.23 %	
Yeochia	Que Tek	None	Financial assets at fair value through profit or loss - non current	6,257,896	-	12.63 %	-	12.63 %	
Yeomao	Kaime	None	Financial assets at fair value through other comprehensive income - non current	577,251	52,876	0.42 %	52,876	0.42 %	
Yeomao	QueTek	None	Financial assets at fair value through profit or loss - non current	286,016	-	0.58 %	-	0.58 %	
Yeomao	ITEX	None	Financial assets at fair value through profit or loss - non current	60,000	-	0.26 %	-	0.26 %	
Yeotai	Z-Com	None	Financial assets at fair value through other comprehensive income - non current	50,000	533	0.07 %	533	0.07 %	

(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				Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
Yeotai	QuicTek	None	Financial assets at fair value through profit or loss - non current	3,143,224	-	6.34 %	-	6.34 %	
D-Link India	ICICI MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	267,630	31,564	-	31,564	-	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	185,434	23,793	-	23,793	-	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	12,190	23,741	-	23,741	-	
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	19,005	23,730	-	23,730	-	
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	12,730	15,873	-	15,873	-	
D-Link India	LIC MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	16,420	23,743	-	23,743	-	
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	6,326	9,907	-	9,907	-	
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	16,629	21,692	-	21,692	-	
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss - current	26,818	23,594	-	23,594	-	
D-Link India	L&T LIQUID FUND	None	Financial assets at fair value through profit or loss - current	18,113	19,679	-	19,679	-	

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

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases (Note 2)		Sales			Ending Balance (Note 3)		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
D-Link Corporation	Alpha	Investment accounted for using equity method		Associate	104,480,022	1,907,644	-	-	89,035,834	2,634,803	1,524,335	1,110,468	-	-

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

Note 2: Issuance of common stock for cash.

- (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

(Continued)

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balances	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sale and service revenue)	(508,119)	(37) %	60 days	—	—	52,762	20%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	508,119	70 %	60 days	—	—	(52,762)	(3)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sale)	(483,881)	(6) %	75 days	—	—	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sale)	(419,873)	(5) %	60 days	—	—	34,777	2%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sale)	(1,521,092)	(19) %	60 days	—	—	189,070	8%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sale)	(1,196,360)	(15) %	60 days	—	—	152,438	7%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sale)	(317,219)	(4) %	60 days	—	—	60,523	3%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sale)	(276,569)	(3) %	75 days	—	—	174,411	8%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sale)	(721,343)	(9) %	60 days	—	—	203,328	9%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sale)	(642,844)	(8) %	45 days	—	—	131,185	6%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sale)	(1,204,639)	(15) %	180 days	—	—	648,487	29%	
D-Link International	Alpha	Investments accounted for using equity method by D-Link Corporation	Purchase	1,143,354	16 %	90 days	—	—	-	-%	
D-Link International	Cameo	D-Link Corporation is the director of CAMEO	Purchase	1,414,549	20 %	90 days	—	—	(361,555)	(18)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	483,881	95 %	75 days	—	—	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	419,873	99 %	60 days	—	—	(34,777)	(88)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,521,092	90 %	60 days	—	—	(189,070)	(59)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,196,360	66 %	60 days	—	—	(152,438)	(100)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	317,219	97 %	60 days	—	—	(60,523)	(98)%	

(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/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	276,569	93 %	75 days	—	—	(174,411)	(65)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	721,343	93 %	60 days	—	—	(203,328)	(100)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	642,844	30 %	45 days	—	—	(131,185)	(31)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,204,639	97 %	180 days	—	—	(648,487)	(99)%	

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

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

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 International	D-Link Europe	The ultimate parent company is D-Link Corporation	189,070	5.97	-	-	-	29,026	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	174,411	2.94	15,227	-	-	7,127	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	203,328	4.58	-	-	-	-	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	648,487	1.71	-	-	-	-	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	131,185	4.11	5	-	-	27,909	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	152,438	7.67	-	-	-	887	-

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

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

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

- (ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)						
Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value	
		Non-trading:				
D-Link Corporation	Cross currency swap	EUR	EUR 10,000	12,011	12,011	
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	8,850	8,850	
D-Link International	Forward foreign exchange contract	BRL (Sell)	BRL 15,502	554	554	
D-Link International	Forward foreign exchange contract	RUB (Buy)	RUB 150,028	220	220	
D-Link International	Cross currency swap	EUR	EUR 1,000	(162)	(162)	
D-Link International	Cross currency swap	CNH	CNH 110,588	(8,140)	(8,140)	
D-Link Corporation	Cross currency swap	USD	USD 1,700	(167)	(167)	
D-Link International	Forward foreign exchange contract	AUD (Sell)	AUD 2,500	(2,502)	(2,502)	
D-Link Corporation	Forward foreign exchange contract	EUR (Sell)	EUR 3,700	(57)	(57)	
D-Link International	Forward foreign exchange contract	EUR (Sell)	EUR 500	(2,965)	(2,965)	
D-Link International	Forward foreign exchange contract	CAD (Sell)	CAD 2,000	(797)	(797)	
D-Link International	Forward foreign exchange contract	JPY (Sell)	JPY 700,000	(1,391)	(1,391)	
D-Link International	Forward foreign exchange contract	BRL (Sell)	BRL 3,740	(565)	(565)	
D-Link International	Forward foreign exchange contract	INR (Sell)	INR 221,346	(750)	(750)	

(Continued)

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

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
D-Link International	Forward foreign exchange contract	KRW (Sell)	KRW 1,877,735	(828)	(828)

(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			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	D-Link Corporation	D-Link Systems	1	Investments accounted for using equity method	1,405,450	-	9%
0	D-Link Corporation	D-Link Canada	1	Investments accounted for using equity method	353,669	-	2%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,099,470	-	13%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,734,080	-	11%
0	D-Link Corporation	Yeochia	1	Investments accounted for using equity method	275,148	-	2%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	792,198	-	5%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	719,582	-	5%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(524,882)	-	(3)%
0	D-Link Corporation	D-Link Investment	1	Investments accounted for using equity method-credit	(111,773)	-	(1)%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	508,119	60 days	3%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	841,102	-	5%
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	1,267,967	-	8%
1	D-Link Holding	Success Stone	3	Investments accounted for using equity method	151,547	-	1%
1	D-Link Holding	D-Link Shiang-Hai (Cayman) Inc.	3	Investments accounted for using equity method-credit	(543,192)	-	(3)%
2	D-Link International	D-Link L.A.	3	Accounts receivable – related party	599,056	75 days	4%
2	D-Link International	D-Link Brazil	3	Accounts receivable – related party	174,411	75 days	1%
2	D-Link International	D-Link Europe	3	Accounts receivable – related party	189,070	60 days	1%
2	D-Link International	D-Link Japan	3	Accounts receivable – related party	203,328	60 days	1%
2	D-Link International	D-Link Trade	3	Accounts receivable – related party	648,487	60 days	4%
2	D-Link International	D-Link Systems	3	Sale	483,881	75 days	3%
2	D-Link International	D-Link Europe	3	Sale	1,521,092	60 days	10%
2	D-Link International	D-Link Brazil	3	Sale	276,569	75 days	2%

(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
2	D-Link International	D-Link Canada	3	Sale	419,873	60 days	3%
2	D-Link International	D-Link Trade	3	Sale	1,204,639	180 days	8%
2	D-Link International	D-Link India	3	Sale	642,844	45 days	4%
2	D-Link International	D-Link ME	3	Sale	1,196,360	60 days	8%
2	D-Link International	D-Link Australia	3	Sale	317,219	60 days	2%
2	D-Link International	D-Link Japan	3	Sale	721,343	60 days	5%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	712,621	-	4%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	835,010	-	5%
4	D-Link Shiang-Hai (Cayman) Inc.	D-Link Shiang-Hai	3	Investments accounted for using equity method-credit	(551,511)	-	(3)%
5	D-Link Europe	D-Link Deutschland	3	Investments accounted for using equity method	184,524	-	1%

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

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

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue 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 years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest percentage of ownership	Net income (losses) of investee	Share of profit/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,625,875	1,625,875	47,295,007	98.44 %	1,405,450	98.44 %	4,440	4,440	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	283,866	283,866	8,736,000	100.00 %	353,660	100.00 %	765	765	
D-Link Corporation	D-Link International	Singapore	Global marketing, procurement and after-sale service	1,941,986	1,941,986	66,074,660	99.36 %	2,099,470	99.36 %	496,271	484,055	100% shares owned by D-Link Corporation and D-Link Holding share of profit of investee includes the amount of transactions between affiliated companies
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(524,882)	100.00 %	(24,154)	(24,154)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,478	100.00 %	15,104	15,104	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	15,697	100.00 %	8,970	8,970	100% shares owned by D-Link Corporation and D-Link Sudamerica
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(30,914)	100.00 %	(47,172)	(47,172)	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 December 31, 2020			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	1	83.33 %	792,198	83.33 %	27,358	27,358	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,744	16,744	999,000	99.90 %	151,160	99.90 %	8,759	8,759	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Holding Corporation	B.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,734,080	100.00 %	81,467	81,467	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	(Note 2)	- %	120,050	- %	11,148	-	100% shared owned by D-Link Corporation directly and indirectly (Note 3)
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	719,582	100.00 %	30,136	30,136	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(111,773)	100.00 %	3,191	3,191	
D-Link Corporation	Yeecha	Taiwan	Investment company	122,400	122,400	(Note 2)	100.00 %	275,148	100.00 %	(20,838)	(20,838)	
D-Link Corporation	Yeomao	Taiwan	Investment company	70,052	70,052	10,220,271	100.00 %	128,944	100.00 %	60,489	60,489	
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	63,113	100.00 %	6,007	6,007	
D-Link Corporation	Alpha	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer network system equipment and its components	-	993,420	-	- %	-	19.26 %	414,065	78,644	Net income/loss in Note 1 from January to November (unaudited)
D-Link Investment	D-Link Trade	Russia	Marketing and after-sales service in Russia	66,538	66,538	(Note 2)	100.00 %	(110,470)	100.00 %	3,258	3,258	
D-Link International	D-Link Australia International	Australia	Marketing and after-sales service in Australia and New Zealand	22	22	1,000	0.10 %	19	0.10 %	8,759	-	D-Link Australia share's profit recognized in D-Link Corporation
D-Link International	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	34,260	34,260	1	16.67 %	30,104	16.67 %	27,358	-	D-Link ME share's profit recognized in D-Link Corporation
D-Link International	D-Link Korea	Korea	Marketing and after-sales service in Korea	44,300	44,300	330,901	100.00 %	(27,945)	100.00 %	7,964	7,964	
D-Link International	D-Link Trade M	Republic of Moldova	Marketing and after-sales service in Moldova	13	13	(Note 2)	100.00 %	(584)	100.00 %	159	159	
D-Link International	D-Link Russia Investment	B.V.I.	Investment company	789,757	789,757	25,000,000	100.00 %	712,621	100.00 %	123,317	123,317	
D-Link International	D-Link Malaysia International	Malaysia	Marketing and after-sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,445	100.00 %	489	489	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after-sales service	3,574	3,574	1,000	100.00 %	3,610	100.00 %	503	503	
D-Link Holding	D-Link Europe	UK	Marketing and after-sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,267,967	100.00 %	40,658	40,658	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after-sales service	8,466	8,466	425,340	0.64 %	(8,457)	0.64 %	496,271	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After-sales service in Russia	11,309	11,309	(Note 2)	100.00 %	4,667	100.00 %	(19)	(19)	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	841,102	100.00 %	72,055	72,055	
D-Link Holding	D-Link Skating-Hill (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(543,192)	100.00 %	(33,521)	(33,521)	
D-Link Holding	D-Link Systems	USA	Marketing and after-sales service in USA	49,320	49,320	750,000	1.56 %	42,762	1.56 %	4,440	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wishit	Singapore	Research, development, marketing and after-sales service	68,566	68,566	1,000,000	100.00 %	1,400	100.00 %	(49)	(49)	
D-Link Holding	Success Stone	B.V.I.	Investment company	297,027	297,027	9,823	100.00 %	151,547	100.00 %	2,572	2,572	
D-Link Holding	MiiCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	28.98 %	-	-	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	-	-	100	- %	-	- %	(47,172)	-	D-Link Brazil share's profit recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	-	-	1	- %	-	- %	15,104	-	D-Link Sudamerica share's profit recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after-sales service in India	340,319	340,319	18,114,663	51.02 %	835,010	51.02 %	144,211	73,576	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	0.01 %	7,284	1	100% shares owned by D-Link Mauritius and D-Link India

(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 December 31, 2020			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Share	Percentage of ownership	Carrying value				
D-Link India	TeamFI India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	115,490	99.99 %	7,284	7,283	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	-	-	1	0.12 %	-	0.12 %	(382)	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	-	-	1	0.03 %	3	0.03 %	15,928	-	D-Link Peru S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS	Colombia	Marketing and after-sales service in Colombia	22,213	22,213	1,443,605	100.00 %	7,328	100.00 %	(403)	(403)	DCO
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	26	26	799	99.88 %	132	99.88 %	(382)	(382)	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after-sales service in Guatemala	410	410	99,000	99.00 %	523	99.00 %	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	38	38	3,499	99.97 %	8,968	99.97 %	15,928	15,928	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	6	6	3	- %	7	- %	8,970	-	D-Link Mexicana share's profit recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after-sales service in Argentina	2,750	2,750	100	100.00 %	142	100.00 %	51	51	D-Link Argentina share's profit recognized in D-Link Sudamerica
D-Link Europe	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	131,769	131,769	(Note 2)	100.00 %	184,524	100.00 %	11,148	11,148	
D-Link Europe	D-Link AB	Sweden	Marketing and after-sales service in Sweden	9,022	9,022	15,500	100.00 %	17,219	100.00 %	2,351	2,351	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after-sales service in Spain	1,976	1,976	50,000	100.00 %	62,196	100.00 %	7,011	7,011	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after-sales service in Italy	2,177	2,177	50,000	100.00 %	5,675	100.00 %	374	374	
D-Link Europe	D-Link HoldingsGfLtd	UK	Investment company	-	-	3	100.00 %	9,417	100.00 %	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after-sales service in France	5,287	5,287	114,560	100.00 %	35,470	100.00 %	2,868	2,868	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after-sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,715	100.00 %	485	485	
D-Link Europe	D-Link Polska Sp Z o.o.	Poland	Marketing and after-sales service in Poland	1,210	1,210	100	100.00 %	23,734	100.00 %	(1,795)	(1,795)	
D-Link Europe	D-Link Magyarország	Hungary	Marketing and after-sales service in Hungary	523	523	300	100.00 %	6,254	100.00 %	(4,069)	(4,069)	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after-sales service in Czech	329	329	100	100.00 %	3,462	100.00 %	(5,447)	(5,447)	
D-Link HoldingsGfLtd	D-Link UK	UK	Marketing and after-sales service in UK	-	-	300,100	100.00 %	9,417	100.00 %	-	-	
D-Link Mediterraneo SRL	D-Link Adria d.o.o	Croatia	Marketing and after-sales service in Croatia	326	326	(Note 2)	100.00 %	1,268	100.00 %	(46)	(46)	
D-Link Middle East FZCO	D-Link Network	Republic of South Africa	Marketing and after-sales service in South Africa	361	361	-	100.00 %	-	- %	-	-	
Yeochia and Teomas	Alpha	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	-	195,143	-	- %	-	1.39 %	-	4,332	
Yeochia and Teotai	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	181,500	181,500	1,832,446	41.18 %	-	41.18 %	(2,925)	-	

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D-LINK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Note 2: Limited Company

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

Note 4: The transactions 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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	555,906	2	555,906	-	-	555,906	(33,844)	100.00%	100.00%	(33,844)	(551,511)	-
Netpro Trading	Research, development and trading business	19,956	2	18,601	-	-	18,601	323	100.00%	100.00%	323	10,931	-
YouXiang	Technical Service and import/Export trading business	62,040	3	-	-	-	-	(5,286)	9.86%	9.86%	-	3,504	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Others

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 28.508, CNY 4.369 as of December 31, 2020.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
574,507	574,507	Note

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sapido Technology Inc.		65,020,000	9.97 %

(Continued)

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

(14) Segment information:

The Consolidated Company has three reportable segments: American markets, European markets, Emerging 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 tax expenses are managed on a group basis, and operating income (losses) is determined by the profit before taxation. The reportable amount is similar to that in the report used by the chief operating decision maker.

- (a) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

	Americas	Europe	2020 Emerging markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 2,213,506	3,110,121	9,855,816	-	15,179,443
Inter-company	<u>14,097</u>	<u>6,441</u>	<u>2,823,033</u>	<u>(2,843,571)</u>	<u>-</u>
Total revenue	<u>\$ 2,227,603</u>	<u>3,116,562</u>	<u>12,678,849</u>	<u>(2,843,571)</u>	<u>15,179,443</u>
Reportable segment profit (loss)	<u>\$ (3,574)</u>	<u>49,660</u>	<u>2,355,555</u>	<u>(904,915)</u>	<u>1,496,726</u>
			2019		
	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	\$ 2,222,383	3,382,293	11,391,372	-	16,996,048
Inter-company	<u>11,132</u>	<u>3,486</u>	<u>3,394,959</u>	<u>(3,409,577)</u>	<u>-</u>
Total revenue	<u>\$ 2,233,515</u>	<u>3,385,779</u>	<u>14,786,331</u>	<u>(3,409,577)</u>	<u>16,996,048</u>
Reportable segment profit (loss)	<u>\$ (11,235)</u>	<u>43,683</u>	<u>(590,289)</u>	<u>268,288</u>	<u>(289,553)</u>
			Emerging markets and others	Adjustments and eliminations	Total
Reportable segment assets:					
December 31, 2020	<u>\$ 2,966,181</u>	<u>2,348,024</u>	<u>23,385,657</u>	<u>(12,749,632)</u>	<u>15,950,230</u>
December 31, 2019	<u>\$ 3,003,690</u>	<u>2,433,688</u>	<u>22,634,984</u>	<u>(12,361,352)</u>	<u>15,711,010</u>

(Continued)

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

The material reconciling items of the above reportable segment were as below:

Total reportable segment revenues after deducting the intergroup revenues were \$2,843,571 thousand and \$3,409,577 thousand for 2020 and 2019, respectively.

(b) Products and services information

For revenue from the external customers of the Consolidated Company, please refer to 6(v).

(c) Geographic information

<u>Country</u>	2020	2019
Non-current assets		
Taiwan	\$ 884,235	932,684
India	491,031	432,920
Other countries	<u>822,972</u>	<u>1,079,891</u>
Total	<u>\$ 2,198,238</u>	<u>2,445,495</u>

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets, and other assets, but excluding financial instruments and deferred tax assets.

(d) Major customers

There were no individual customers representing greater than 10% of consolidated revenue for 2020 and 2019.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

We have audited the financial statements of D-LINK CORPORATION, which comprise the statement of financial position as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Other Matters

We did not audit the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2020, and the financial statements of D-Link International Pte. Ltd as of and for the year ended December 31, 2019. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the report of other auditors. Investments accounted for using equity method of above subsidiaries reflect the total assets of \$1,383,283 thousand and \$1,556,378 thousand, constituting 12% and 13%, of the total assets at December 31, 2020 and 2019, respectively. Besides, the share of profit (loss) of associates accounted for using equity method of \$(108,998) thousand and \$(78,236) thousand, constituting (8)% and 15%, of the net profit (loss) before tax for the years ended December 31, 2020 and 2019, respectively.



Key Audit Matters

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

1. Evaluation of investments accounted for using equity method

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

Key Audit Matter Explanation:

Investments accounted for using equity method is a material asset to D-LINK CORPORATION, and is significant in its financial statements, with a book value amounting to \$7,869,038 thousand as of December 31, 2020. Therefore, it has been identified as one of the key matters in our audit.

How the matter was addressed in our audit:

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

2. Revenue recognition

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

Key Audit Matter Explanation:

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

How the matter was addressed in our audit:

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 17, 2021

Notes to Readers

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

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

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Net operating revenues (notes 6(s) and 7)	\$ 1,508,054	100	1,701,547	100
5000	Operating costs (notes 6(d) and 7)	639,186	42	798,648	47
	Gross profit from operations	868,868	58	902,899	53
	Operating expenses: (notes 6(c), (g), (h), (i), (k), (o) and (t))				
6100	Selling expenses	373,786	25	369,557	22
6200	Administrative expenses	316,865	21	258,449	15
6300	Research and development expenses	806,888	54	701,083	41
6450	Expected credit loss (reversal gain) (note 6(c))	(647)	-	1,056	-
		1,496,892	100	1,330,145	78
	Net operating loss	(628,024)	(42)	(427,246)	(25)
	Non-operating income and expenses:				
7100	Interest (note 6(u))	1,209	-	279	-
7010	Other income (notes 6(u) and 7)	9,394	1	16,438	-
7020	Other gains and losses (note 6(b), (n), (u) and 7)	1,223,881	81	(13,239)	-
7050	Finance costs (notes 6(k), (n), (u) and 7)	(8,898)	(1)	(11,892)	-
7060	Share of profit (loss) of associates accounted for using equity method (note 6(c))	717,221	48	(77,895)	(5)
	Total non-operating income and expenses	1,942,807	129	(86,309)	(5)
	Profit (loss) before tax	1,314,783	87	(513,555)	(30)
7950	Less: Income tax expenses (benefit) (note 6(p))	74,858	5	(5,228)	-
	Net profit (loss)	1,239,925	82	(508,327)	(30)
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans (note 6(o))	4,534	-	5,070	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	18,150	1	(13,544)	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income (loss) that will be reclassified to profit or loss	58,273	4	4,258	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		80,957	5	(4,216)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(q) and (v))				
8361	Exchange differences on translation of foreign financial statements	(403,962)	(27)	(66,626)	(4)
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method, components of other comprehensive income (loss) that will be reclassified to profit or loss	55,373	4	(10,826)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	(68,189)	(5)	(4,016)	-
		(280,400)	(18)	(73,436)	(5)
8300	Other comprehensive loss, net	(199,443)	(13)	(77,652)	(5)
	Total comprehensive income(loss)	\$ 1,040,482	69	(585,979)	(35)
	Basic earnings per share (New Taiwan dollars) (note 6(r))	\$ 1.90		(0.78)	
	Diluted earnings per share (New Taiwan dollars) (note 6(r))	\$ 1.90		(0.78)	

See accompanying notes to parent company only financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total equity
Balance at January 1, 2019	\$ 6,519,961	1,669,905	2,107,941	-	216,200	(1,151,611)	(147,771)	(15,138)	9,199,487
Effects of retrospective application (accounted for using equity method)	-	-	-	-	-	-	-	-	(3,796)
Equity at beginning of period after adjustments	6,519,961	1,669,905	2,107,941	-	212,404	(1,151,611)	(147,771)	(15,138)	9,195,691
Net loss	-	-	-	-	(508,327)	-	-	-	(508,327)
Other comprehensive income (loss)	-	-	-	-	1,205	(85,090)	(5,421)	11,654	(77,652)
Total comprehensive income (loss)	-	-	-	-	(507,122)	(85,090)	(5,421)	11,654	(585,979)
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	10,638	-	-	-	-	-
Other changes in capital surplus:	-	-	-	205,562	(10,638)	-	-	-	-
Changes in equity of associates accounted for using equity method	-	(5,898)	-	-	(205,562)	-	-	-	(5,898)
Cash dividends from legal reserve	-	-	(65,200)	-	-	-	-	-	(65,200)
Cash dividends from capital surplus	-	(65,200)	-	-	-	-	-	-	(65,200)
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	-	-	-	-	-
Balance at December 31, 2019	6,519,961	1,598,807	2,053,379	205,562	11,910	(1,236,701)	(119,100)	(3,484)	8,473,414
Net profit	-	-	-	-	(499,008)	-	(165,102)	-	(664,110)
Other comprehensive income (loss)	-	-	-	-	1,239,925	-	-	-	1,239,925
Total comprehensive income (loss)	-	-	-	-	4,534	(283,884)	76,423	3,484	(199,443)
Other changes in capital surplus:	-	-	-	-	1,244,459	(283,884)	76,423	3,484	1,040,482
Changes in equity of associates accounted for using equity method	-	(75,494)	-	-	(178,907)	-	-	-	(254,401)
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	(73)	-	-	-	(73)
Balance at December 31, 2020	\$ 6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	-	9,259,495

See accompanying notes to parent company only financial statements.

D-LINK CORPORATION**Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

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

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

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

The accompanying financial statements were approved and authorized for release by the Board of Directors on March 17, 2021.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

- (ii) Other amendments

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

- (a) Statement of Compliance

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

- (b) Basis of Preparation

- (i) Basis of Measurement

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

- 1) Financial instruments (including derivative financial instruments) at fair value through profit or loss are measured at fair value;

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- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Equity-settled share-based payment are measured at fair value;
- 4) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

- (i) It is expected to be realized or intends to sell or consume it in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;

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- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

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

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

- (f) Financial Instruments

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

attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- (i) Financial assets

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

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

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1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

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

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

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

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

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

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

- 6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Exchangeable bonds

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

3) Financial liabilities

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

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

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4) Other financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

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

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

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(g) Inventories

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

(h) Investment in associates

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

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

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

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

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

(i) Investment in subsidiaries

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

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

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(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(l) Leases

(i) Identifying a lease

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

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

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office building that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

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

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

(iii) As a lessor

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

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

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

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

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(m) Intangible assets

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

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

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

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

(n) Impairment – non-derivative financial assets

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

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

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

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

(o) Provisions

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

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(i) Warranties

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

(ii) Legal proceedings and royalties

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

(p) Treasury stocks

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

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

(q) Revenue from contracts with customers

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

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

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

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D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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D-LINK CORPORATION
Notes to the Financial Statements

(iii) Short-term employee benefits

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

(s) Share-based payment

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

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

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

(t) Income Taxes

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

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(Continued)

D-LINK CORPORATION
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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

- (u) Earnings per share

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

- (v) Operating segments

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

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D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

(a) Valuation of inventories

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

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

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

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

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

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

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

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Notes to the Financial Statements

(b) Financial Assets and Liabilities

(i) Details as follows

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

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

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2020 and 2019, transactions that do not qualify for hedging accounting are presented as held-for-trading financial assets were as follows:

1) Derivative financial assets

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

2) Derivative financial liabilities

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

(c) Notes and accounts receivable and other receivables

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of 2020 and 2019 was determined as follows:

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

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

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

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

(d) Inventories

	December 31, 2020	December 31, 2019
Finished goods	<u>\$ 127,022</u>	<u>116,786</u>

The operating cost comprises of cost of goods sold, write-down loss (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). For the year ended December 31, 2020 and 2019, the cost of goods delivered were \$620,633 thousand and \$762,378 thousand, respectively. Write-down of inventories to net realizable value were recorded as cost of goods sold and decreased by \$10,511 thousand and increased by \$7,314 thousand in 2020 and 2019, respectively. In 2020 and 2019, the warranty expenses, inventory losses from obsolescence and others amounted to \$29,064 thousand and \$28,956 thousand, respectively.

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

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D-LINK CORPORATION
Notes to the Financial Statements

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

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

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

1) Subsidiaries

Please refer to the 2020 consolidated financial statements.

2) Associates

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

- (f) Right-of-use assets

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

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

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Notes to the Financial Statements

(g) Property, plant and equipment

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

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

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Notes to the Financial Statements

(h) Investment property

		2020			
	Balance as of January 1, 2020	Increase	Decrease	Transfer	Balance as of December 31, 2020
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>11,527</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>11,924</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,669</u>	<u>(397)</u>	<u>-</u>	<u>-</u>	<u>39,272</u>
		2019			
	Balance as of January 1, 2019	Increase	Decrease	Transfer	Balance as of December 31, 2019
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>11,131</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>11,527</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 40,065</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>39,669</u>
				December 31, 2020	December 31, 2019
Book value				<u>\$ 39,272</u>	<u>39,669</u>
Fair value				<u>\$ 51,328</u>	<u>46,993</u>

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D-LINK CORPORATION
Notes to the Financial Statements

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(u). Besides, direct operating expenses related to investment property were \$301 thousand and \$306 thousand in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the fair value of investment property was evaluated based on the comparable deal information with similar location and category or appraisal report.

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

(i) Intangible assets

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

(j) Long-term and short-term loans

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

(i) Short-term Loans

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

(ii) Long-term Loans

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

(k) Lease liabilities

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

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

The amounts recognized in profit or loss were as follows:

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

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

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

Real estate leases

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

(l) Provisions — current

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

(m) Refund liabilities

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

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

(n) Bonds payable

Exchangeable corporate bonds

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

Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ 34,967</u>	<u>65,527</u>
Interest expense	<u>\$ 2,107</u>	<u>6,062</u>

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

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D-LINK CORPORATION
Notes to the Financial Statements

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

(i) Total issuance amount:

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

(ii) Duration:

June 17, 2015 to June 17, 2020.

(iii) Coupon rate for the bonds is zero.

(iv) Payment term

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

(v) Exchange period:

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

(vi) Exchange price:

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(vii) Early redemption option:

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

(viii) Put options:

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

(o) Employee benefits

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

1) Composition of plan

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$80,892 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in the present value of the defined benefit obligations in 2020 and 2019 were as follows:

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

3) Movements in the fair value of the plan assets

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

4) Expenses recognized in profit or loss

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

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

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

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

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

6) Actuarial assumptions

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

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

7) Sensitivity analysis

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

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

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

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

(ii) Defined contribution plans

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(p) Income Taxes

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

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

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

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

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

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

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

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

(Continued)

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Notes to the Financial Statements

(ii) Recognized deferred tax assets and liabilities

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

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

In accordance with the ROC Tax laws, the operating loss carry forward assessed by the tax authorities are deductible from taxable income for a ten-year period. As of December 31, 2020, the Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Years of loss	Unused amount	Year of expiry
2017	\$ 1,740,912	2027
2019	172,882	2029
2020	546,006	2030
	<u>\$ 2,459,800</u>	

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(q) Share capital and other equity

(i) Common stock

As of December 31, 2020 and 2019, the authorized capital amounted to \$8,800,000 thousand (including \$750,000 thousand authorized for the issuance of the employee stock options). As of December 31, 2020 and 2019, the issued capital amounted to \$6,519,961 thousand. The par value of the Company's common stock was \$10 New Taiwan dollars per share and the number of share was 651,996 thousand shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Common stock in excess of par value	\$ 1,217,030	1,217,030
Treasury stock	39,310	39,310
Changes in equities of associates accounted for using equity method	740	76,234
Failure of employee share options	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<u>\$ 1,523,313</u>	<u>1,598,807</u>

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

(iii) Retained earnings

1) Legal reserve

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

In accordance with Order No. 10802432410 issued by the Ministry of Economic Affairs on January 9, 2020, the amount of retained earnings allotted to legal reserve shall be calculated based on "net earnings after income taxes, plus any other amounts recognized in undistributed retained earnings" for the earnings distribution for 2019 and the years thereafter.

(Continued)

D-LINK CORPORATION
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When the legal reserve has exceeded 25% of the Company's paid in capital, the excess may be distributed as dividends in cash or stocks based on the resolution of the shareholders' meeting if there is no accumulated deficit.

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

2) Special reserve

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

3) Earning distribution

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

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

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

4) Dividend policy

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

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D-LINK CORPORATION
Notes to the Financial Statements

(iv) Other equity

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

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

(r) Earnings per share

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

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

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Notes to the Financial Statements

(ii) Diluted earnings per share

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

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

(s) Revenue from contracts with customers

(i) The Company revenue from contract revenue

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

(ii) Contract liabilities

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

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

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

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(t) Remuneration to employees and directors

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

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

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

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

(u) Other income and losses

(i) Interest income

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

(i) Other income

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

(Continued)

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(ii) Other gains and losses

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

(iii) Financial costs

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

(v) Items that were reclassified to other comprehensive income

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(w) Financial instruments

(i) Category of financial instruments

1) Financial Assets

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

2) Financial liabilities

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

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the maximum amount exposed to credit risk amounted to \$2,455,251 thousand, and \$1,011,174 thousand, respectively.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iii) Liquidity risk

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iv) Currency risk

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

Because the Company has various functional currencies, information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities is aggregately disclosed. The total foreign exchange losses and gains, including realized and unrealized, were losses \$20,881 thousand and gains \$31,985 thousand for the years ended December 31, 2020 and 2019, respectively.

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, other receivables, loans, account payables, and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency as of December 31, 2020 and 2019 would have increased or decreased the net loss after tax by \$75,653 thousand and \$72,057 thousand, respectively, assuming all other variables were held constant.

(v) Interest rate analysis

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

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

(vi) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

Assets and liabilities	Total	December 31, 2020		
		Level 1	Level 2	Level 3
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through other comprehensive income	\$ 364,655	364,655	-	-
Derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss — current	20,861	-	20,861	-

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

2) Valuation techniques

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

3) Transfer from Level 1 to Level 2

As of December 31, 2020 and 2019, there were no transfers between level 1 and level 2 of the fair value hierarchy.

(vii) Assets and liabilities not measured at fair value

1) Information of fair value

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

2) Valuation techniques

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

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

(x) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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D-LINK CORPORATION
Notes to the Financial Statements

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

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Company arises from the operations and financial conditions of each customer and the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Company operates worldwide, and thus, risk is diversified. As of December 31, 2020 and 2019, revenue from each foreign customer does not exceed 5% of the Company's revenue and therefore, there is no concentration of credit risk.

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

2) Investment on securities and derivative financial instruments

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

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2020 and 2019, the Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. the Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. the Company aims to maintain the level of its cash and short term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. the Company has unused short term bank facilities for \$3,841,162 thousand as of December 31, 2020.

(v) Market risk

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

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

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D-LINK CORPORATION
Notes to the Financial Statements

1) Currency risk

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

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

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

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

2) Interest rate risk

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

(y) Capital management

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

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D-LINK CORPORATION
Notes to the Financial Statements

Debt-to-equity ratio:

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

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

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

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

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

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
D-Link Holding Company Ltd. (D-Link Holding)	A subsidiary
D-Link Canada Inc. (D-Link Canada)	A subsidiary
D-Link Japan K.K. (D-Link Japan)	A subsidiary
D-Link Investment Pte.Ltd. (D-Link Investment)	A subsidiary
D-Link Sudamerica S.A. (D-Link Sudamerica)	A subsidiary
D-Link Brazil LTDA (D-Link Brazil)	A subsidiary
D-Link Latin America Company Ltd.(D-Link L.A.)	A subsidiary
D-Link Mexicana S.A de C.V (D-Link Mexicana)	A subsidiary
D-Link Systems, Inc. (D-Link Systems)	A subsidiary
D-Link International Pte. Ltd. (D-Link International)	A subsidiary
D-Link Australia Pty Ltd. (D-Link Australia)	A subsidiary
D-Link Middle East FZCO (D-Link ME)	A subsidiary
D-Link Korea Limited (D-Link Korea)	A subsidiary
D-Link Trade M (D-Link Moldova)	A subsidiary
D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	A subsidiary
D-Link Malaysia SDN. BHD (D-Link Malaysia)	A subsidiary
D-Link Service Lithuania, UAB (D-Link Lithuania)	A subsidiary
Yeochia Investment Co., Ltd.	A subsidiary
Yeomao Investment Co., Ltd.	A subsidiary
Yeotai Investment Co., Ltd.	A subsidiary
D-Link (Europe) Ltd. (D-Link Europe)	A subsidiary
D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	A subsidiary
D-Link Holding Mauritius Inc. (D-Link Mauritius)	A subsidiary
OOO D-Link Russia (D-Link Russia)	A subsidiary
D-Link Hong Kong Ltd. (D-Link Hong Kong)	A subsidiary (had dismissed at November 22, 2019)
OOO D-Link Trade (D-Link Trade)	A subsidiary
Success Stone Overseas Corp. (Success Stone)	A subsidiary
Wishfi Pte. Ltd. (Wishfi)	A subsidiary
D-Link India Ltd. (D-Link India)	A subsidiary

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D-LINK CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
TeamF1 Networks Private Limited (TeamF1 India)	A subsidiary
D-Link (Holdings) Ltd. and the subsidiary D-Link (UK) Ltd. (D-Link UK)	A subsidiary
D-Link France SARL (D-Link France)	A subsidiary
D-Link AB	A subsidiary
D-Link Iberia SL (D-Link Iberia)	A subsidiary
D-Link Mediterraneo SRL (D-Link Mediterraneo)	A subsidiary
D-Link (Netherlands) BV (D-Link Netherlands)	A subsidiary
D-Link (Deutschland) GmbH (D-Link Deutschland)	A subsidiary
D-Link Polska Sp. Z.o.o. (D-Link Polska)	A subsidiary
D-Link (Magyarország) kft (D-Link Magyarország)	A subsidiary
D-Link s.r.o	A subsidiary
D-Link Adria d.o.o	A subsidiary
D Link Network	A subsidiary
D-Link (Shiang-Hai) Co., Ltd.	A subsidiary
Netpro Trading (Shiang-Hai) Co., Ltd.	A subsidiary
D-Link del Ecuador S.A.	A subsidiary
D-Link Peru S.A.	A subsidiary
D-Link de Colombia S.A.S	A subsidiary
D-Link Guatemala S.A.	A subsidiary
D-Link Argentina S.A.	A subsidiary
Alpha Networks, Inc.	An associate (It became a non-related party since all of the previously held shares in it have already been sold on November 30, 2020)
Cameo Communication, Inc.	The Company is the director of Cameo

(b) Significant related party transactions

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

(i) Sales revenue

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

(ii) Service revenue

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

(iii) Purchases

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

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

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

(iv) Accounts receivable due from related parties

The receivables from related parties were as follows:

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(v) Other gains and losses

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

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

(vi) Accounts payable to related parties

The payables to related parties were as follows:

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

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

(vii) Services purchased from related parties

The services purchased from related-parties were as follows:

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(viii) Property transaction

1) Property, plant and equipment acquired

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

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

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

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

(ix) Equity Transfer

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

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(x) Borrowing from Related Parties

The borrowing from related parties were as follows:

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

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

(xi) Guarantee

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

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

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

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

(9) Commitments and contingencies:

- (a) XR Communications, LLC and dba Vivato Technologies filed a lawsuit against the the Company's subsidiary, D-Link Systems, in April 2017, alleging that some of the D-Link Systems' products infringed its patents. D-Link Systems has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (b) The Company's subsidiary, D-Link Brazil, had disputes regarding prior year's declaration tax on industrialized products with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.
- (c) Parity Networks LLC filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (d) UNM RAINFOREST INNOVATIONS filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (e) Cedar Lane Technologies Inc. filed a lawsuit against the Company in December 2020, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.
- (f) Rock Creek Networks, LLC filed a lawsuit against the Company in January 2021, alleging that some of the D-Link's products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Company believes the litigation will not have any significant impact on its current operations.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

- (g) As of December 31, 2020 and 2019, the Company's outstanding stand-by letters of credit for purchasing inventories were \$0 thousand and \$12,894 thousand, respectively.
- (h) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the liabilities are unclear. The Company has accrued the possible expense, and significant losses are unlikely.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

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

(12) Other:

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

By item	By function	For the year ended December 31					
		2020			2019		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		3,501	794,930	798,431	3,524	751,646	755,170
Labor and health insurance		290	62,381	62,671	323	62,477	62,800
Pension		168	37,429	37,597	178	36,669	36,847
Remuneration of directors		-	3,777	3,777	-	3,660	3,660
Others		149	23,225	23,374	164	22,909	23,073
Depreciation		-	60,434	60,434	4	63,908	63,912
Amortization		-	51,481	51,481	6	51,127	51,133

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

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

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

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

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

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

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

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2020:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Corporation	Other accounts receivable - related parties	Yes	570,160	570,160	-	-	2	-	Operating Capital	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (shanghai)	Other accounts receivable - related parties	Yes	43,690	43,690	16,165	4.00	2	-	Operating Capital	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Brazil	Other accounts receivable - related parties	Yes	57,016	57,016	-	-	2	-	Operating Capital	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Latin-America Company Ltd.	Other accounts receivable - related parties	Yes	599,852	599,852	599,852	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (shanghai)	Other accounts receivable - related parties	Yes	534,213	534,213	534,213	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Korea Limited	Other accounts receivable - related parties	Yes	32,960	16,755	16,755	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Brazil LTDA	Other accounts receivable - related parties	Yes	14,343	-	-	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link (INDIA) Ltd	Other accounts receivable - related parties	Yes	2,958	2	2	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Investment Ptd. Ltd.	Other accounts receivable - related parties	Yes	1,110	1,110	1,110	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	D-Link Trade M	Other accounts receivable - related parties	Yes	736	567	567	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
1	D-Link International	Wahif Pte. Ltd.	Other accounts receivable - related parties	Yes	567	-	-	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,537,619	2,537,619
2	D-Link Russia Investment	D-Link International	Other accounts receivable - related parties	Yes	701,297	701,297	698,446	-	2	-	Operating Capital	-	-	-	712,621	712,621
3	D-Link Japan K.K.	D-Link Corporation	Other accounts receivable - related parties	Yes	496,895	496,895	496,895	0.50	2	-	Operating Capital	-	-	-	690,993	690,993
4	D-Link Europe	D-Link Corporation	Other accounts receivable - related parties	Yes	348,368	348,368	348,368	1.00	2	-	Operating Capital	-	-	-	1,340,632	1,340,632

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purpose 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		
5	Yeatai	D-Link Corporation	Other accounts receivable-related parties	Yes	20,000	20,000	-	-	2	-	Operating Capital	-	-	-	25,245	25,245
6	D-Link (Deutschland) GmbH	D-Link Europe	Other accounts receivable-related parties	Yes	174,184	174,184	107,994	1.00	2	-	Operating Capital	-	-	-	184,524	184,524
7	D-Link Systems, Inc	D-Link International Pte Ltd	Other accounts receivable-related parties	Yes	295,390	295,390	295,390	-	2	-	Convert From Account receivable to loan receivable	-	-	-	1,447,664	1,447,664

Note 1: Purpose of fund financing for the borrower:

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

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

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

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

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	2,173,320	129,801	129,801	66,864	-	1.39 %	6,519,961	Y		
0	D-Link Corporation	D-Link Shanghai	2	2,173,320	71,270	71,270	-	-	0.77 %	6,519,961	Y		Y
0	D-Link Corporation	D-Link Trade	2	2,173,320	14,254	14,254	-	-	0.15 %	6,519,961	Y		

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

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

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

- Trade partner.
- The Company owns more than 50% equity interests in the entity, directly or indirectly.
- An entity that owns more than 50% equity interests in the Company, directly or indirectly.
- The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date.

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
D-Link Corporation	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	39,852,993	364,655	17.35 %	364,655	
D-Link Corporation	EHOO	None	Non current financial assets at fair value through profit or loss	749,663	-	4.11 %	-	
D-Link Corporation	EWAVE	None	Non current financial assets at fair value through profit or loss	83,334	-	1.89 %	-	
D-Link Corporation	TGC	None	Non current financial assets at fair value through profit or loss	500,000	-	1.84 %	-	
D-Link Corporation	YICHA Information Corporation	None	Non current financial assets at fair value through profit or loss	73,500	-	6.68 %	-	
D-Link Corporation	UBICOM	None	Non current financial assets at fair value through profit or loss	926,814	-	3.05 %	-	
D-Link Corporation	Purple	None	Non current financial assets at fair value through profit or loss	3,385,417	-	14.10 %	-	
D-Link Corporation	Global Mobile Corp.	None	Non current financial assets at fair value through profit or loss	6,600,000	-	2.39 %	-	
D-Link Holding	Best 3C	None	Non current financial assets at fair value through profit or loss	600,000	-	1.88 %	-	
D-Link Holding	E2O	None	Non current financial assets at fair value through profit or loss	252,525	-	0.05 %	-	
YEOCHIA	STEMCYTE	None	Non current financial assets at fair value through other comprehensive income	18,950	235	0.02 %	235	
YEOCHIA	Z-Com	None	Non current financial assets at fair value through other comprehensive income	3,064,041	32,632	4.23 %	32,632	
YEOCHIA	Venture Power	None	Non current financial assets at fair value through profit or loss	6,257,896	-	12.63 %	-	
Yeomao	Kaimei	None	Non current financial assets at fair value through other comprehensive income	577,251	52,876	0.42 %	52,876	
Yeomao	QuicTek	None	Non current financial assets at fair value through profit or loss	286,016	-	0.58 %	-	
Yeomao	ITEX	None	Non current financial assets at fair value through profit or loss	60,000	-	0.26 %	-	
Yeotai	Z-Com	None	Non current financial assets at fair value through other comprehensive income	50,000	533	0.07 %	533	
Yeotai	QuicTek	None	Non current financial assets at fair value through profit or loss	3,143,224	-	6.34 %	-	
D-Link India	ICICI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	267,630	31,564	- %	31,564	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	185,434	23,793	- %	23,793	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	12,190	23,741	- %	23,741	
D-Link India	FATA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	19,905	23,730	- %	23,730	
D-Link India	SBI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	12,730	15,873	- %	15,873	
D-Link India	LIC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	16,420	23,743	- %	23,743	
D-Link India	HDFC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	6,326	9,907	- %	9,907	
D-Link India	UTI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	16,629	21,692	- %	21,692	
D-Link India	AXIS MUTUAL FUND	None	Current financial assets at fair value through profit or loss	26,818	23,594	- %	23,594	
D-Link India	L&T LIQUID FUND	None	Current financial assets at fair value through profit or loss	18,113	19,679	- %	19,679	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchase/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sale and service revenue)	(508,119)	(37) %	60 days	-	-	52,762	20%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	508,119	70 %	60 days	-	-	(52,762)	(3)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sale)	(483,881)	(6) %	75 days	-	-	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sale)	(419,873)	(5) %	60 days	-	-	34,777	2%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sale)	(1,521,092)	(19) %	60 days	-	-	189,070	8%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sale)	(1,196,360)	(15) %	60 days	-	-	152,438	7%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sale)	(317,219)	(4) %	60 days	-	-	60,523	3%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sale)	(276,569)	(3) %	75 days	-	-	174,411	8%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sale)	(721,343)	(9) %	60 days	-	-	203,328	9%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sale)	(642,844)	(8) %	45 days	-	-	131,185	6%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sale)	(1,204,639)	(15) %	180 days	-	-	648,487	29%	
D-Link International	Alpha	Investments accounted for using equity method by D-Link Corporation	Purchase	1,143,354	16 %	90 days	-	-	-	-%	
D-Link International	Cameo	D-Link Corporation is the director of CAMEO	Purchase	1,414,549	20 %	90 days	-	-	(361,555)	(18)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	483,881	95 %	75 days	-	-	-	-%	

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	419,873	99 %	60 days	—	—	(34,777)	(88)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,521,092	90 %	60 days	—	—	(189,070)	(59)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,196,360	66 %	60 days	—	—	(152,438)	(100)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	317,219	97 %	60 days	—	—	(60,523)	(98)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	276,569	93 %	75 days	—	—	(174,411)	(65)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	721,343	93 %	60 days	—	—	(203,328)	(100)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	642,844	30 %	45 days	—	—	(131,185)	(31)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,204,639	97 %	180 days	—	—	(648,487)	(99)%	

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

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

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
		Non-trading :			
D-Link Corporation	Cross currency swap	EUR	EUR 10,000	12,011	12,011
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	8,850	8,850
D-Link International	Forward foreign exchange contract	INR(sell)	INR 15,502	554	554
D-Link International	Forward foreign exchange contract	RUB(Buy)	RUB 150,028	220	220
D-Link International	Cross currency swap	EUR	EUR 1,000	(162)	(162)
D-Link International	Cross currency swap	CNH	CNH 110,588	(8,140)	(8,140)
D-Link Corporation	Cross currency swap	USD	USD 1,700	(167)	(167)
D-Link International	Forward foreign exchange contract	AUD(Sell)	AUD 2,500	(2,502)	(2,502)
D-Link Corporation	Forward foreign exchange contract	EUR(Sell)	EUR 3,700	(57)	(57)
D-Link International	Forward foreign exchange contract	EUR(Sell)	EUR 500	(2,965)	(2,965)
D-Link International	Forward foreign exchange contract	CAD(Sell)	CAD 2,000	(797)	(797)
D-Link International	Forward foreign exchange contract	JPY(Sell)	JPY 700,000	(1,391)	(1,391)
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL 3,740	(565)	(565)
D-Link International	Forward foreign exchange contract	INR(Sell)	INR 221,346	(750)	(750)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW 1,877,735	(828)	(828)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,625,875	1,625,875	47,295,007	98.44 %	1,405,450	4,440	4,440	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	283,866	283,866	8,736,000	100.00 %	353,669	765	765	
D-Link Corporation	D-Link International	Singapore	Global marketing, procurement and after-sale service	1,941,986	1,941,986	66,074,660	99.36 %	2,099,470	496,271	484,055	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(524,882)	(24,154)	(24,154)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,478	15,104	15,104	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	15,697	8,970	8,970	100% shares owned by D-Link Corporation and D-Link Sudamerica
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(30,914)	(47,172)	(47,172)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	5	83.33 %	792,198	27,358	27,358	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,744	16,744	999,000	99.90 %	151,160	8,759	8,759	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Holding	B.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,734,080	81,467	81,467	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	Note 2	- %	120,050	11,148	-	100% shared owned by D-Link Corporation directly and indirectly D-Link Corporation share's profit recognized in D-Link Europe

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	719,582	30,136	30,136	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(111,773)	3,191	3,191	
D-Link Corporation	YEOCHIA	Taiwan	Investment company	122,400	122,400	Note 2	100.00 %	275,148	(20,838)	(20,838)	
D-Link Corporation	YEOMAG	Taiwan	Investment company	70,052	70,052	10,220,271	100.00 %	128,944	60,489	60,489	
D-Link Corporation	YEOTAI	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	63,113	6,007	6,007	
D-Link Corporation	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	-	993,420	-	- %	-	414,065	78,644	Net income/loss is from November and unaudited
D-Link Investment	D-Link Trade	Russia	Marketing and after-sales service in Russia	66,538	66,538	Note 2	100.00 %	(110,470)	3,258	3,258	
D-Link International	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	22	22	1,000	0.10 %	19	8,759	-	D-Link Australia share's profit recognized in D-Link Corporation
D-Link International	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	34,260	34,260	1	16.67 %	30,104	27,358	-	D-Link ME share's profit recognized in D-Link Corporation
D-Link International	D-Link Korea	Korea	Marketing and after-sales service in Korea	44,300	44,300	330,901	100.00 %	(27,945)	7,964	7,964	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after-sales service in Moldova	13	13	Note 2	100.00 %	(584)	159	159	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	712,621	123,317	123,317	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after-sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,445	489	489	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after-sales service	3,574	3,574	1,000	100.00 %	3,610	503	503	
D-Link Holding	D-Link Europe	UK	Marketing and after-sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,267,967	40,658	40,658	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after-sales service	8,466	8,466	425,340	0.64 %	(8,457)	496,271	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After-sales service in Russia	11,309	11,309	Note 2	100.00 %	4,667	(19)	(19)	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	841,102	72,055	72,055	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(543,192)	(33,521)	(33,521)	
D-Link Holding	D-Link Systems	USA	Marketing and after-sales service in USA	49,320	49,320	750,000	1.56 %	42,762	4,440	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wahli	Singapore	Research, development, marketing and after-sales service	68,566	68,566	1,000,000	100.00 %	1,400	(49)	(49)	
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	151,547	2,572	2,572	
D-Link Holding	MiiCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	-	-	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	-	-	100	- %	-	(47,172)	-	D-Link Brazil share's profit recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	-	-	1	- %	-	15,104	-	D-Link Sudamerica share's profit recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after-sales service in India	340,319	340,319	18,114,663	51.02 %	835,010	144,211	73,576	
D-Link Mauritius	TeamFI India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	7,284	1	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamFI India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	115,490	7,284	7,283	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	-	-	1	0.12 %	-	(382)	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	-	-	1	0.03 %	3	15,928	-	D-Link Peru S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS	Colombia	Marketing and after-sales service in Colombia	22,213	22,213	1,443,605	100.00 %	7,328	(403)	(403)	DCO
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	26	26	799	99.88 %	132	(382)	(382)	100% shares owned by D-Link L.A. and D-Link Sudamerica

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after-sales service in Guatemala	410	410	99,000	99.00 %	523	-		
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	38	38	3,499	99.97 %	8,968	15,928	15,928	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	6	6	3	- %	7	8,970	-	D-Link Mexicana share's profit recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after-sales service in Argentina	2,750	2,750	100	100.00 %	142	51	51	D-Link Argentina share's profit recognized in D-Link Corporation
D-Link Europe	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	131,769	131,769	-	100.00 %	184,524	11,148	11,148	
D-Link Europe	D-Link AB	Sweden	Marketing and after-sales service in Sweden	9,022	9,022	15,500	100.00 %	17,219	2,351	2,351	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after-sales service in Spain	1,976	1,976	50,000	100.00 %	62,196	7,011	7,011	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after-sales service in Italy	2,177	2,177	50,000	100.00 %	5,675	374	374	
D-Link Europe	D-Link Holdings Ltd	UK	Investment company	-	-	3	100.00 %	9,417	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after-sales service in France	5,287	5,287	114,560	100.00 %	35,470	2,868	2,868	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after-sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,715	485	485	
D-Link Europe	D-Link Polska Sp. z o.o.	Poland	Marketing and after-sales service in Poland	1,210	1,210	100	100.00 %	23,734	(1,795)	(1,795)	
D-Link Europe	D-Link Magyarország	Hungary	Marketing and after-sales service in Hungary	523	523	300	100.00 %	6,254	(4,069)	(4,069)	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after-sales service in Czech	329	329	100	100.00 %	3,462	(5,447)	(5,447)	
D-Link Holdings Ltd	D-Link UK	UK	Marketing and after-sales service in UK	-	-	300,100	100.00 %	9,417	-	-	
D-Link Mediterraneo SRL	D-Link Adria I.o.o	Croatia	Marketing and after-sales service in Croatia	326	326	Note 2	100.00 %	1,268	(46)	(46)	
D-Link Middle East FZCO	D-Link Network	Republic of South Africa	Marketing and after-sales service in South Africa	361	361	-	100.00 %	-	-	-	
YEOCHIA and YEOMA O	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	-	195,143	-	- %	-	-	4,332	
YEOCHIA and YEOTAI	Niramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	181,500	181,500	1,832,446	41.18 %	-	(2,925)	-	

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

Note 2: Limited Company

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

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

(Continued)

D-LINK CORPORATION

Notes to the Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	555,906	(2)	555,906	-	-	555,906	(33,844)	100.00%	(33,844)	(551,511)	-
Netpro Trading	Research, development and trading business	19,956	(2)	18,601	-	-	18,601	323	100.00%	323	10,931	-
YouXiang	Technical Service and Import/Export trading business	62,040	(3)	-	-	-	-	(5,286)	9.86%	-	3,504	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Other

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 28.508, RMB 4.369 as of December 31, 2020.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
574,507	574,507	Note

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sapido Technology Inc.		65,020,000	9.97 %

(14) Segment information:

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

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

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

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

D-LINK CORPORATION

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

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units (thousand)	Carrying Amount	Interest Rate	Acquisition cost	Fair Value		Fair value changes are attributable to the changes of credit risk	Note
						Unit price	Total amount		
Derivative financial assets:									
Cross currency swaps		-	\$ -	-	%	-	-	-	-
							<u>20,861</u>		

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

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

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

D-LINK CORPORATION

Statement of accounts receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

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

Statement of other receivables

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

D-LINK CORPORATION

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realizable value</u>	
Finished goods	\$ 145,236	<u><u>135,802</u></u>	Market price is measured at net realizable value
Less: Allowance for inventory write downs and obsolescence	(18,214)		
	<u><u>\$ 127,022</u></u>		

Statement of other current assets

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

D-LINK CORPORATION

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

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

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

D-LINK CORPORATION

Statement of changes in investments accounted for using equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Increase (Decrease) (Note1) and (Note2)		Net income (losses) of investee		Exchange differences on translation of foreign financial statements		Unrealized gains on (losses) on financial assets measured at fair value through other comprehensive income (Note 3)		Other Equity		Ending Balance		Market Value of Net Asset Value (Note2)	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Percentage of ownership	Amount	Value	Value
D-Link Systems	47,295	\$ 1,482,080	-	-	-	-	4,440	(61,070)	-	-	-	-	47,295	1,405,530	98.44 %	1,447,664
D-Link Canada	8,736	365,241	-	-	-	-	765	(12,337)	-	-	-	-	8,736	353,669	100.00 %	353,669
D-Link International	66,075	1,875,560	-	-	-	-	484,053	(260,145)	-	-	-	-	66,075	2,099,470	99.36 %	2,537,619
D-Link Mexicana	152	7,200	-	-	-	-	8,970	(473)	-	-	-	-	152	15,697	100.00 %	15,697
D-Link Middle East (Note 6)	-	810,694	-	-	-	-	27,338	(48,855)	-	-	-	-	-	792,197	83.33 %	826,571
D-Link Australia	999	136,256	-	-	-	-	8,759	6,144	-	-	-	-	999	151,159	99.90 %	151,160
D-Link Holding	68,063	1,715,005	-	-	-	-	81,467	(63,576)	1,185	-	-	-	68,063	1,734,081	100.00 %	1,770,325
D-Link Deutschland (Note 5)	-	120,050	-	-	-	-	-	-	-	-	-	-	-	120,050	100.00 %	120,050
D-Link ME (Note6)	200	(41,110)	-	-	-	-	15,103	(521)	-	-	5	-	200	10,477	100.00 %	9,106
Alpha	104,480	1,875,878	(104,480)	(1,828,574)	-	-	78,644	(3,311)	45,000	-	(170,642)	-	-	-	-	275,149
Yeoshan (Note 6)	-	321,083	-	-	-	-	20,838	2,615	(9,902)	176	-	-	-	275,149	100.00 %	275,149
Yeosmo	10,220	56,325	-	-	-	-	60,489	369	13,353	25	-	-	10,220	128,946	100.00 %	128,946
Yeosai	14,600	59,649	-	-	-	-	6,007	-	(2,543)	-	-	-	14,600	63,113	100.00 %	63,113
D-Link Mexicana	10	601,818	-	-	-	-	30,136	(2,374)	-	-	-	-	10	7,193,880	100.00 %	690,093
		<u>9,512,729</u>		<u>(1,832,907)</u>		<u>785,335</u>	<u>(460,534)</u>	<u>47,093</u>	<u>(185,904)</u>					<u>7,869,928</u>		
Credit balance of equity investment :																
D-Link L.A.	41	(528,880)	-	-	-	-	(24,154)	29,152	-	-	-	-	41	(524,882)	100.00 %	(527,608)
D-Link Sudamerica	2,964,837	18,575	-	-	-	-	(47,171)	(2,318)	-	-	-	-	2,964,837	(30,914)	100.00 %	(30,914)
D-Link Investment	2,200	(144,373)	-	-	-	-	3,191	29,409	-	-	-	-	2,200	(111,273)	100.00 %	(111,273)
		<u>(655,678)</u>		<u>(1,832,907)</u>		<u>717,221</u>	<u>(404,291)</u>	<u>47,093</u>	<u>(185,904)</u>					<u>7,201,469</u>		

Note 1: The increase in current period is due to the equity transfer from deferred parties from deferred unrealized benefits to realized benefits amounting to \$531,766 thousand.
 Note 2: The decrease in current period is due to the adoption of equity method for cash dividends and exchangeable bonds amounting to \$40,867 thousand and \$1,823,806 thousand, respectively.
 Note 3: The valuation of financial assets recognized by the investees were measured at fair value through other comprehensive income.
 Note 4: The other changes were due to recognizing the investment adjustments through other equity method, resulting in the decrease of \$6,924 thousands in capital reserve and the decrease of \$178,980 thousands in retained earnings.
 Note 5: The investment profit or loss based on investments accounted for using equity method is recognized in D-Link Holding.
 Note 6: Yeoshia is a LLC and has yet divided shares ; D-Link ME has under a thousand shares.
 Note 7: The total amount of net value is calculated by stockholders equity audited by CPAs multiplied by its shareholding ratio.
 Note 8: Each investment accounted for using equity method is neither guaranteed nor mortgaged.

D-LINK CORPORATION

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

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

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

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

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

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

D-LINK CORPORATION

Statement of changes in right-of-use assets

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

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

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

D-LINK CORPORATION

Statement of changes in investment property

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2020	Increase	Decrease	Balance as of December 31, 2020
Land	\$ 30,000	-	-	30,000
Buildings	22,196	-	-	22,196
	\$ 52,196	-	-	52,196

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

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

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

D-LINK CORPORATION

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

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

Statement of changes in intangible assets

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

Note1: Patents are amortized from their acquisition and are recognized in profit or loss on a straight line basis over the estimated useful lives. The estimated useful lives of patents are 16 years.

Note2: Amortization is calculated on the cost of the asset less its residual value and accumulated impairment, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 2~8 years.

D-LINK CORPORATION

Statement of other non-current assets

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

Statement of short-term loans

<u>Type of loans</u>	<u>Ending Balance</u>	<u>Term of contract</u>	<u>Interest rate(%)</u>	<u>Financing limit</u>	<u>Mortgages or guarantees</u>
Loans from related parties	\$ <u><u>845,263</u></u>	110	0.5~1	-	None

D-LINK CORPORATION

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

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

D-LINK CORPORATION

Statement of notes and accounts payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

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

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

Statement of other payables

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

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

Item	Amount
Warranties	\$ 69,562
Litigations and royalties	132,650
	\$ 202,212

Statement of other current liabilities

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

D-LINK CORPORATION

Statement of lease liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate%</u>	<u>Ending Balance</u>
Buildings	For office use	5 years	1.42~1.66	\$ 12,247
Less: classified as current lease liabilities				<u>(3,017)</u>
Lease liabilities-non current				<u>\$ 9,230</u>

Statement of other non-current liabilities

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

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

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

Statement of operating costs

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

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

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

Statement of administrative expenses

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

D-LINK CORPORATION

Statement of research and development expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

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

Statement of finance costs

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

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

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

D-Link[®]

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