

**D-LINK CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2021 and 2020**

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

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## Independent Auditors' Review Report

To the Board of Directors  
D-LINK CORPORATION:

### Introduction

We have reviewed the accompanying consolidated balance sheets of D-LINK CORPORATION and its subsidiaries as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$4,062,592 thousand and \$4,985,518 thousand, constituting 27% and 34% of consolidated total assets as of September 30, 2021 and 2020, respectively, total liabilities amounting to \$901,526 thousand and \$1,556,356 thousand, constituting 14% and 25% of consolidated total liabilities as of September 30, 2021 and 2020, respectively, and total comprehensive income amounting to \$17,641 thousand, \$57,981 thousand, \$1,351 thousand and \$42,471 thousand, constituting (25)%, 51%, 0% and (166)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, respectively.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 5, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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



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

**D-LINK CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Net operating revenues</b> (notes 6(v) and 7)								
	\$	3,957,707	100	4,161,488	100	11,224,288	100	11,024,577	100
5000	<b>Operating costs</b> (notes 6(e), (r) and 7)								
		<u>2,942,841</u>	<u>74</u>	<u>2,800,122</u>	<u>67</u>	<u>8,031,781</u>	<u>72</u>	<u>7,551,472</u>	<u>68</u>
	<b>Gross profit from operations</b>								
		<u>1,014,866</u>	<u>26</u>	<u>1,361,366</u>	<u>33</u>	<u>3,192,507</u>	<u>28</u>	<u>3,473,105</u>	<u>32</u>
	<b>Operating expenses: (notes 6(c), (h), (i), (j), (k), (m), (q), (r) and (w))</b>								
6100	Selling expenses	592,211	15	644,493	16	1,795,677	16	1,935,345	18
6200	Administrative expenses	142,506	4	256,614	6	591,097	5	720,653	7
6300	Research and development expenses	188,417	5	258,439	6	693,179	6	769,490	7
6450	Expected credit loss (gain) (note 6(c))	<u>(1,266)</u>	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>(12,569)</u>	<u>-</u>	<u>(1,566)</u>	<u>-</u>
		<u>921,868</u>	<u>24</u>	<u>1,160,548</u>	<u>28</u>	<u>3,067,384</u>	<u>27</u>	<u>3,423,922</u>	<u>32</u>
	<b>Net operating income (loss)</b>	<u>92,998</u>	<u>2</u>	<u>200,818</u>	<u>5</u>	<u>125,123</u>	<u>1</u>	<u>49,183</u>	<u>-</u>
	<b>Non-operating income and expenses:</b>								
7100	Interest income (note 6(x))	4,609	-	2,643	-	13,323	-	13,059	-
7010	Other income (note 6(x))	590	-	1,231	-	1,468	-	2,190	-
7020	Other gains and losses (notes 6(f), (p), (x), (z) and 7)	11,125	-	106,695	3	12,570	-	288,213	3
7050	Finance costs (notes 6(m), (p) and (x))	<u>(6,416)</u>	<u>-</u>	<u>(6,652)</u>	<u>-</u>	<u>(20,483)</u>	<u>-</u>	<u>(23,723)</u>	<u>-</u>
7060	Share of profit (loss) of associates accounted for using equity method (note 6(f))	<u>(94,079)</u>	<u>(2)</u>	<u>40,679</u>	<u>1</u>	<u>(182,378)</u>	<u>(1)</u>	<u>57,660</u>	<u>1</u>
	<b>Total non-operating income and expenses</b>	<u>(84,171)</u>	<u>(2)</u>	<u>144,596</u>	<u>4</u>	<u>(175,500)</u>	<u>(1)</u>	<u>337,399</u>	<u>4</u>
	<b>Profit (loss) before tax</b>	<u>8,827</u>	<u>-</u>	<u>345,414</u>	<u>9</u>	<u>(50,377)</u>	<u>-</u>	<u>386,582</u>	<u>4</u>
7950	<b>Less: Income tax expenses</b> (note 6(s))	<u>10,854</u>	<u>-</u>	<u>24,551</u>	<u>1</u>	<u>73,598</u>	<u>1</u>	<u>82,025</u>	<u>1</u>
	<b>Net profit (loss)</b>	<u>(2,027)</u>	<u>-</u>	<u>320,863</u>	<u>8</u>	<u>(123,975)</u>	<u>(1)</u>	<u>304,557</u>	<u>3</u>
8300	<b>Other comprehensive income (loss):</b>								
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>								
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(22,436)	(1)	(103,219)	(2)	39,057	-	(4,896)	-
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	(737)	-	1,961	-	(13,262)	-	20,984	-
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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(23,173)</u>	<u>(1)</u>	<u>(101,258)</u>	<u>(2)</u>	<u>25,795</u>	<u>-</u>	<u>16,088</u>	<u>-</u>
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss (notes 6(t) and (y))</b>								
8361	Exchange differences on translation of foreign financial statements	(47,604)	(1)	(154,379)	(4)	(307,204)	(2)	(413,969)	(4)
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	(852)	-	18,414	-	(2,749)	-	5,812	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	<u>3,186</u>	<u>-</u>	<u>29,642</u>	<u>-</u>	<u>33,350</u>	<u>-</u>	<u>61,883</u>	<u>1</u>
		<u>(45,270)</u>	<u>(1)</u>	<u>(106,323)</u>	<u>(4)</u>	<u>(276,603)</u>	<u>(2)</u>	<u>(346,274)</u>	<u>(3)</u>
8300	<b>Other comprehensive loss, net</b>	<u>(68,443)</u>	<u>(2)</u>	<u>(207,581)</u>	<u>(6)</u>	<u>(250,808)</u>	<u>(2)</u>	<u>(330,186)</u>	<u>(3)</u>
	<b>Total comprehensive income (loss) of tax</b>	<u>\$ (70,470)</u>	<u>(2)</u>	<u>113,282</u>	<u>2</u>	<u>(374,783)</u>	<u>(3)</u>	<u>(25,629)</u>	<u>-</u>
	<b>Net profit (loss) attributable to:</b>								
8610	Owners of parent	\$ (26,978)	(1)	302,839	8	(185,373)	(2)	250,131	3
8620	Non-controlling interests	<u>24,951</u>	<u>1</u>	<u>18,024</u>	<u>-</u>	<u>61,398</u>	<u>1</u>	<u>54,426</u>	<u>-</u>
		<u>\$ (2,027)</u>	<u>-</u>	<u>320,863</u>	<u>8</u>	<u>(123,975)</u>	<u>(1)</u>	<u>304,557</u>	<u>3</u>
	<b>Comprehensive income (loss) attributable to:</b>								
8710	Owners of parent	\$ (95,997)	(3)	92,957	2	(417,139)	(3)	(50,149)	-
8720	Non-controlling interests	<u>25,527</u>	<u>1</u>	<u>20,325</u>	<u>-</u>	<u>42,356</u>	<u>-</u>	<u>24,520</u>	<u>-</u>
		<u>\$ (70,470)</u>	<u>(2)</u>	<u>113,282</u>	<u>2</u>	<u>(374,783)</u>	<u>(3)</u>	<u>(25,629)</u>	<u>-</u>
	<b>Basic earnings per share</b> (New Taiwan dollars) (note 6(u))	<u>\$ (0.04)</u>		<u>0.46</u>		<u>(0.29)</u>		<u>0.38</u>	
	<b>Diluted earnings per share</b> (New Taiwan dollars) (note 6(u))	<u>\$ (0.04)</u>		<u>0.46</u>		<u>(0.29)</u>		<u>0.38</u>	

See accompanying notes to consolidated financial statements.

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

**D-LINK CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the nine months ended September 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollar)**

Equity attributable to owners of parent

	Retained earnings					Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	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			
<b>Balance at January 1, 2020</b>	\$ 6,519,961	1,598,807	2,053,379	205,562	(499,008)	(1,236,701)	(165,102)	(3,484)	8,473,414	452,625	8,926,039
Net profit for the nine months ended September 30, 2020	-	-	-	-	250,131	-	-	-	250,131	54,426	304,557
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	(319,852)	16,088	3,484	(300,280)	(29,906)	(330,186)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	250,131	(319,852)	16,088	3,484	(50,149)	24,520	(25,629)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	(17,974)	-	-	(140,717)	-	-	-	(158,691)	-	(158,691)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(73)	-	73	-	-	-	-
<b>Balance at September 30, 2020</b>	<b>\$ 6,519,961</b>	<b>1,580,833</b>	<b>2,053,379</b>	<b>205,562</b>	<b>(389,667)</b>	<b>(1,556,553)</b>	<b>(148,941)</b>	<b>-</b>	<b>8,264,574</b>	<b>477,145</b>	<b>8,741,719</b>
<b>Balance at January 1, 2021</b>	<b>\$ 6,519,961</b>	<b>1,523,313</b>	<b>2,053,379</b>	<b>205,562</b>	<b>566,471</b>	<b>(1,520,585)</b>	<b>(88,606)</b>	<b>-</b>	<b>9,259,495</b>	<b>480,860</b>	<b>9,740,355</b>
Net profit (loss) for the nine months ended September 30, 2021	-	-	-	-	(185,373)	-	-	-	(185,373)	61,398	(123,975)
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	(257,561)	25,795	-	(231,766)	(19,042)	(250,808)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	(185,373)	(257,561)	25,795	-	(417,139)	42,356	(374,783)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	56,647	-	(56,647)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	207,390	(207,390)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(195,597)	-	-	-	(195,597)	-	(195,597)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	(740)	-	-	-	-	-	-	(740)	-	(740)
Capital reduction	(521,596)	-	-	-	-	-	-	-	(521,596)	-	(521,596)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(11,858)	(11,858)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(56,662)	-	56,662	-	-	-	-
<b>Balance at September 30, 2021</b>	<b>\$ 5,998,365</b>	<b>1,522,573</b>	<b>2,110,026</b>	<b>412,952</b>	<b>(135,198)</b>	<b>(1,778,146)</b>	<b>(6,149)</b>	<b>-</b>	<b>8,124,423</b>	<b>511,358</b>	<b>8,635,781</b>

See accompanying notes to consolidated financial statements.

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

**D-LINK CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollar)**

	For the nine months ended September 30	
	2021	2020
<b>Cash (used in) generated from operating activities:</b>		
Profit (loss) before tax	\$ (50,377)	386,582
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	175,651	185,171
Amortization expense	34,577	43,729
Reversal of expected credit losses	(12,569)	(1,566)
Net loss on financial assets or liabilities at fair value through profit or loss	3,984	27,302
Interest expense	20,483	23,723
Interest income	(13,323)	(13,059)
Dividend income	-	(880)
Share of loss (profit) of associates accounted for using equity method	182,378	(57,660)
Gain on disposal of investments	(4,112)	(227,155)
Write-down loss (reversal gain) of inventories to net realizable value	149,636	(198,662)
Other	(15,168)	21,513
<b>Total adjustments to reconcile profit (loss)</b>	<b>521,537</b>	<b>(197,544)</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(63,267)	(127,589)
Decrease in notes receivable	945	4,028
(Increase) decrease in accounts receivable	(185,842)	357,230
Increase in accounts receivable due from related parties	(1,774)	-
(Increase) decrease in other receivables	(14,755)	35,060
Decrease in lease payment receivable	10,401	-
(Increase) decrease in inventories	(1,176,009)	918,357
Increase in prepayment for purchase	(175,965)	(86,380)
Decrease (increase) in other current assets	41,018	(110,708)
Decrease in other non-current assets	8,671	51,648
<b>Total changes in operating assets</b>	<b>(1,556,577)</b>	<b>1,041,646</b>
Increase in current contract liabilities	18,107	887
Decrease in notes payable	(32)	(163)
Increase (decrease) in accounts payable	175,688	(282,281)
(Decrease) increase in accounts payable to related parties	(200,144)	53,493
Decrease in other payable	(156,606)	(127,316)
Decrease in current provisions	(25,621)	(14,308)
Decrease in current refund liabilities	(69,096)	(16,760)
Increase in other current liabilities	2,715	1,916
Decrease in other non-current liabilities	(23,932)	(37,153)
<b>Total changes in operating liabilities</b>	<b>(278,921)</b>	<b>(421,685)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(1,835,498)</b>	<b>619,961</b>
<b>Total adjustments</b>	<b>(1,313,961)</b>	<b>422,417</b>
Cash (used in) generated from operations	(1,364,338)	808,999
Interest received	13,323	13,059
Dividends received	-	40,027
Interest paid	(22,374)	(17,160)
Income taxes paid	(82,119)	(75,392)
<b>Net cash (used in) generated from operating activities</b>	<b>(1,455,508)</b>	<b>769,533</b>
<b>Cash (used in) generated from investing activities:</b>		
Acquisition of investments accounted for using equity method	(812,484)	-
Proceeds from disposal of investments accounted for using equity method	-	217,173
Acquisition of property, plant and equipment	(25,307)	(39,886)
Proceeds from disposal of property, plant and equipment	212	647
Decrease (increase) in refundable deposits	1,260	(1,116)
Acquisition of intangible assets	(10,581)	(3,544)
Other investing activities	(24,676)	60,292
<b>Net cash (used in) generated from investing activities</b>	<b>(871,576)</b>	<b>233,566</b>
<b>Cash flows used in financing activities:</b>		
Increase (decrease) in guarantee deposits received	5,225	(2,892)
Payment of lease liabilities	(165,361)	(123,724)
Cash dividends paid (including subsidiaries)	(207,455)	-
Payment of bonds payable	-	(608)
<b>Net cash used in financing activities</b>	<b>(367,591)</b>	<b>(127,224)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(307,203)</b>	<b>(413,969)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,001,878)</b>	<b>461,906</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>6,216,327</b>	<b>3,141,284</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 3,214,449</b>	<b>3,603,190</b>

See accompanying notes to consolidated financial statements.

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

## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

#### **(1) Company history**

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

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

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on November 5, 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 Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

- (b) Basis of Preparation

- (i) Basis of Measurement

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

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

(Continued)

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the 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.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	100.00 %	(Note)
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company	D-Link Investment Pte. Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	100.00 %	(Note)
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	100.00 %	(Note)
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company	Yeo-Chia Investment Ltd. (Yeochia)	Investment company	100.00 %	100.00 %	100.00 %	
The Company	Yeo-Mao Investment Inc. (Yeomao)	Investment company	100.00 %	100.00 %	100.00 %	
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	100.00 %	(Note)
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	100.00 %	(Note)
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	100.00 %	(Note)

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research, development, marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	51.02 %	It becomes a significant subsidiary since 2021.
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-Hai) Co., Ltd (D-Link Shiang-Hai)	Marketing and after sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-hai) Co., Ltd (Netpro Trading )	Research, development and trading	100.00 %	100.00 %	100.00 %	(Note)
D-Link Mediterraneo	D-LINK ADRIA d.o.o	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Sudamerica and D-Link L.A.	D Link del Ecuador S.A.	Marketing and after-sales service	- %	100.00 %	100.00 %	Liquidation was completed in April, 2021 (Note)

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Sudamerica	D Link de Colombia S.A.S	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	99.00 %	(Note)
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)
D-Link ME	D Link Network	Marketing and after-sales service	100.00 %	100.00 %	100.00 %	(Note)

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

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

(d) Business combination

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

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

(e) Foreign currency

(i) Foreign currency transaction

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

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

- an investment in equity securities designated as at fair value through other comprehensive income;

(Continued)

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

- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

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

(h) Financial Instruments

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

(i) Financial assets

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

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.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

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

(Continued)

## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

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

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

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

Dividend income is recognized in profit or loss on the date 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;

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

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

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

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

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

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

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

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

(Continued)

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

- 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.

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;

(Continued)

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

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

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

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

7) Derecognition of financial assets

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

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

(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.

(Continued)

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

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, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in non-operating income and expenses, and is included in other gains and losses.

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.

(Continued)

## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

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

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

#### Cash flow hedges

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

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

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

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

(i) Inventories

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

(j) Investment in associates

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

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

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

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

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

(k) Investment property

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

(Continued)

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(Continued)

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

(m) Leases

(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.
  - 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.

(Continued)

## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

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

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

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

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

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

(Continued)

## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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, 2022; 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 Consolidated Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Consolidated Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Consolidated Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(n) Intangible assets

(i) Goodwill and trademark

1) Recognition

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

2) Subsequent measurement

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

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

(Continued)

## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

(o) Impairment of non-financial assets

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

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

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

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

(p) Provisions

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

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(q) Revenue from contracts with customers

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

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## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

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

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

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(Continued)

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

(ii) Defined benefit plans

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

(iii) Short-term employee benefits

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

(s) 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

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

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

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

(Continued)

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

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

(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 bonds, employee stock options, and employee bonus settled using shares that have yet to be approved by the Board of Directors meeting. Increasing shares from the transfer of unappropriated earnings or capital surplus.

(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 (in accordance with IAS 34 "Interim Financial Reporting" and 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.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(a) Judgment on substantial control over the investee

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

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

**(6) Explanation of significant accounts:**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the 2020 annual consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and Cash Equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 3,396	3,170	5,472
Checking and saving accounts	2,123,853	3,042,387	2,037,709
Time deposit	<u>1,087,200</u>	<u>3,170,770</u>	<u>1,560,009</u>
Cash and Cash Equivalents	<u><u>\$ 3,214,449</u></u>	<u><u>6,216,327</u></u>	<u><u>3,603,190</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, it is classified as other current assets.

(b) Financial Assets and Liabilities

(i) Details as follows

	September 30, 2021	December 31, 2020	September 30, 2020
<b>Mandatorily measured at fair value through profit or loss - current</b>			
Beneficiary certificates – mutual funds	\$ 284,555	217,316	198,647
Cross currency swaps	4,240	20,861	4,358
Forward foreign exchange contracts	<u>11,776</u>	<u>774</u>	<u>8,658</u>
	<u><u>\$ 300,571</u></u>	<u><u>238,951</u></u>	<u><u>211,663</u></u>
<b>Financial liabilities at fair value through profit or loss - current</b>			
Cross currency swaps	\$ 16,534	8,469	18,922
Forward foreign exchange contracts	<u>15</u>	<u>9,855</u>	<u>4,280</u>
	<u><u>\$ 16,549</u></u>	<u><u>18,324</u></u>	<u><u>23,202</u></u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
<b>Financial assets at fair value through other comprehensive income - non-current</b>			
Cameo Communication, Inc. (Cameo)	\$ -	364,655	378,861
Z-Com, Inc. (Z-Com)	20,030	33,165	26,625
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	3,907	3,504	2,833
Kaimei Electronic Corp. (Kaimei)	48,720	52,876	24,129
StemCyte International. LTD (Stemcyte)	212	235	240
	<u>\$ 72,869</u>	<u>454,435</u>	<u>432,688</u>

- 1) On February 17, 2021, the Consolidated Company increased investment in Cameo and the shareholding ratio increased to 41.58% from 17.35%. The Consolidated Company transferred from financial assets at fair value through other comprehensive income to investments accounted for using equity method and reclassified from other equity loss 54,847 thousand to retained earnings.
- 2) The Consolidated Company sold 721,000 shares of Z-Com in September 2021, disposed at the price of \$6,087 thousand, and reclassified from other equity loss 1,815 thousand to retained earnings.
- 3) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(z).
- 4) As of September 30, 2021, December 31, 2020 and September 30, 2020, no financial assets are pledged as collateral.

(ii) Sensitivity analysis – equity market price risk:

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

	For the nine months ended September 30,			
	2021		2020	
Security price at reporting date	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$ <u>2,157</u>	<u>6,659</u>	<u>12,959</u>	<u>4,648</u>
Decrease 3%	\$ <u>(2,157)</u>	<u>(6,659)</u>	<u>(12,959)</u>	<u>(4,648)</u>

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

(iii) (Non-hedging) derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk arising from the Consolidated Company's operating, financing and investing activities. As of September 30, 2021, December 31, 2020 and September 30, 2020, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

1) Derivative financial assets

	September 30, 2021			December 31, 2020			September 30, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:									
JPY	\$ 100,000	JPY	2021.10	1,800,000	JPY	2021.01 ~2021.06	1,000,000	JPY	2020.12
EUR	9,000	EUR	2021.10	10,000	EUR	2021.01	10,000	EUR	2020.10
CAD	-	-	-	-	-	-	1,000	CAD	2020.11
USD	-	-	-	-	-	-	1,700	USD	2020.12
RUB	150,028	RUB	2021.10	-	-	-	-	-	-
GBP	1,000	GBP	2021.10	-	-	-	-	-	-
Forward foreign exchange contracts:									
AUD (sell)	1,000	AUD	2021.10	-	-	-	1,500	AUD	2020.10 ~2020.12
CAD (sell)	600	CAD	2021.10	-	-	-	3,000	CAD	2020.10 ~2020.11
EUR (sell)	7,000	EUR	2021.10	-	-	-	4,400	EUR	2020.10 ~2020.11
BRL (sell)	58,565	BRL	2021.10	15,502	BRL	2021.02	34,061	BRL	2020.10 ~2020.11
JPY (sell)	50,000	JPY	2021.10	-	-	-	200,000	JPY	2020.10 ~2020.11
KRW (sell)	2,120,155	KRW	2021.10	-	-	-	1,165,600	KRW	2020.11
INR (sell)	129,085	INR	2021.10	-	-	-	92,066	INR	2020.10
RUB (buy)	-	-	-	150,028	RUB	2021.01	-	-	-
GBP (sell)	500	GBP	2021.10	-	-	-	-	-	-

(Continued)

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

2) Derivative financial liabilities

	September 30, 2021			December 31, 2020			September 30, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:									
USD	\$ 21,700	USD	2021.10	1,700	USD	2021.03	20,000	USD	2020.12
CNH	133,670	CNH	2021.10	110,588	CNH	2021.01 ~2021.02	79,267	CNH	2020.10 ~2020.11
EUR	10,000	EUR	2021.10	1,000	EUR	2021.02	52	EUR	2020.11
JPY	1,800,000	JPY	2021.10 ~2021.11	-	-	-	800,000	JPY	2020.12
CAD	3,000	CAD	2021.10	-	-	-	-	-	-
Forward foreign exchange contracts:									
EUR (sell)	-	-	-	4,200	EUR	2021.01 ~2021.03	1,500	EUR	2020.10 ~2020.11
BRL (sell)	-	-	-	3,740	BRL	2021.01	-	-	-
INR (sell)	37,163	INR	2021.10	221,346	INR	2021.01	55,476	INR	2020.10
AUD (sell)	-	-	-	2,500	AUD	2021.01 ~2021.03	1,000	AUD	2020.10
KRW (sell)	-	-	-	1,877,735	KRW	2021.01 ~2021.02	1,181,000	KRW	2020.10
JPY (sell)	50,000	JPY	2021.10	700,000	JPY	2021.01 ~2021.02	200,000	JPY	2020.10 ~2020.11
CAD (sell)	-	-	-	2,000	CAD	2021.01 ~2021.03	-	-	-
CNH (sell)	-	-	-	-	-	-	31,321	CNH	2020.11

(c) Notes and accounts receivable and other receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable for operating activities	\$ 1,702	2,647	4,774
Accounts receivable	3,346,432	3,166,320	3,347,395
Other receivables	<u>70,576</u>	<u>55,821</u>	<u>26,745</u>
	3,418,710	3,224,788	3,378,914
Less: Loss allowance	<u>(83,023)</u>	<u>(104,954)</u>	<u>(110,979)</u>
	<u>\$ 3,335,687</u>	<u>3,119,834</u>	<u>3,267,935</u>

(Continued)

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

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivable and other receivables. To measure the expected credit losses, notes and accounts receivable and other receivables have been grouped based on shared credit risk characteristics and ability to pay all due, as well as incorporated forward looking information. The loss allowance provision as of September 30, 2021, December 31, 2020 and September 30, 2020 was determined as follows:

	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,910,987	0.34%	9,761
90 days or less past due	412,997	0.28%	1,159
91 to 180 days past due	8,751	22.66%	1,983
181 to 270 days past due	2,096	43.16%	905
271 to 360 days past due	1,448	71.92%	1,041
More than 360 days past due	<u>82,431</u>	82.70%	<u>68,174</u>
	<u><b>\$ 3,418,710</b></u>		<u><b>83,023</b></u>

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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><b>\$ 3,224,788</b></u>		<u><b>104,954</b></u>

	<b>September 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,805,909	0.56%	15,773
90 days or less past due	447,475	0.51%	2,303
91 to 180 days past due	11,802	14.96%	1,766
181 to 270 days past due	5,024	56.86%	2,856
271 to 360 days past due	1,136	83.18%	945
More than 360 days past due	<u>107,568</u>	81.19%	<u>87,336</u>
	<u><b>\$ 3,378,914</b></u>		<u><b>110,979</b></u>

(Continued)

**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:

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1, 2021 and 2020	\$ 104,954	197,721
Expected credit loss reversed	(12,569)	(1,566)
Amounts written off	(5,730)	(68,721)
Others	<u>(3,632)</u>	<u>(16,455)</u>
Balance at September 30, 2021 and 2020	<u><u>\$ 83,023</u></u>	<u><u>110,979</u></u>

(d) Finance lease payment receivable

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

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

	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
Less than one year	\$ 30,221	-	-
One to two years	32,067	-	-
Two to three years	35,101	-	-
Three to four years	36,191	-	-
Four to five years	37,313	-	-
Five years and above	<u>6,330</u>	<u>-</u>	<u>-</u>
Total lease payments receivable	177,223	-	-
Unearned finance income	<u>(14,047)</u>	<u>-</u>	<u>-</u>
Total lease payments receivable (Present value of lease payments receivable)	<u><u>\$ 163,176</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(Continued)

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

(e) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ <u>3,484,944</u>	<u>2,442,783</u>	<u>2,238,443</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 three months ended and the nine months ended September 30, 2021 and 2020, the cost of goods delivered were \$2,797,214 thousand, \$2,772,248 thousand, \$7,677,857 thousand and \$7,477,373 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$55,329 thousand, \$92,767 thousand, \$204,288 thousand, and \$272,761 thousand for the three months ended and the nine months ended September 30, 2021 and 2020, respectively. Recognized loss of inventories to net realizable value is recorded as cost of goods sold by \$90,298 thousand and \$149,636 thousand for the three months and nine months ended September 30, 2021, respectively, due to shortage of materials and increased logistics time to increase stocking. Reversal gain of inventories to net realizable value is recorded as decrease of cost of goods sold by \$64,893 thousand and \$198,662 thousand for the three months and nine months ended September 30, 2020, respectively, because of out of stock in the market and active sales of inventory.

As of September 30, 2021, December 31, 2020 and September 30, 2020, no inventories were pledged as collateral.

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Associates	\$ <u>1,027,828</u>	<u>-</u>	<u>1,519,823</u>

(Continued)

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

## (i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Main operating location Registered Country of the Company	Ownership interest/Voting rights held			
			September 30, 2021	December 31, 2020	September 30, 2020	
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	- %	- %	16.28 %	
Cameo Communication, Inc. (Cameo)	The major business activities are manufacturing and selling of network system equipment and its components, as well as researching and developing of related technologies. It is the supplier of the Consolidated Company.	Taiwan	41.58 %	- %	- %	
T-COM,LLC	The major business activity is selling network switch products. It is the seller of the Consolidated Company.	Russia	40.00 %	- %	- %	

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

	November 30, 2020 (Unaudited)	September 30, 2020
Current assets	\$ 21,809,621	20,109,930
Non-current assets	6,198,278	6,478,987
Current liabilities	14,178,386	13,060,761
Non-current liabilities	<u>1,320,201</u>	<u>1,183,605</u>
Net assets	<u>\$ 12,509,312</u>	<u>12,344,551</u>
Net assets attributable to non-controlling interests	<u>\$ 2,981,613</u>	<u>2,963,480</u>
Net assets attributable to investee's shareholders	<u>\$ 9,527,699</u>	<u>9,381,071</u>

(Continued)

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

	<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>
Operating revenue	\$ <u>9,671,467</u>	<u>22,380,652</u>
Net income	\$ 263,820	402,942
Other comprehensive income	<u>102,620</u>	<u>3,337</u>
Total comprehensive income	\$ <u>366,440</u>	<u>406,279</u>
Total comprehensive income attributable to non- controlling interests	\$ <u>27,280</u>	<u>70,989</u>
Total comprehensive income attributable to investee's shareholders	\$ <u>339,160</u>	<u>335,290</u>
		<b>For the nine months ended September 30, 2020</b>
The Consolidated Company's share in associate's net assets at beginning of year		\$ 2,024,443
Comprehensive income attributable to the Consolidated Company		54,091
Changes in equity of associates using equity method		(143,692)
Dividends received from associates		(39,148)
Less: exchange of exchangeable bond and sell of shares		<u>(400,213)</u>
The Consolidated Company's share in associate's net assets at end of year		1,495,481
Less: unrealized gains or losses		(92,238)
Add: goodwill		<u>116,580</u>
Carrying amounts of investments accounted for using equity method		\$ <u>1,519,823</u>

(Continued)

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

- 2) The financial information on Cameo is summarized as follows:

	<b>September 30, 2021</b>	
Current assets	\$ 2,223,106	
Non-current assets	1,995,895	
Current liabilities	981,232	
Non-current liabilities	<u>1,010,920</u>	
Net assets	<u>\$ 2,226,849</u>	
Net assets attributable to investee's shareholders	<u>\$ 2,226,849</u>	
	<b>For the three months ended September 30, 2021</b>	<b>For the nine months ended September 30, 2021</b>
Operating revenue	<u>\$ 535,141</u>	<u>1,861,396</u>
Net loss	\$ (212,005)	(504,557)
Other comprehensive loss	<u>(5,091)</u>	<u>(65,479)</u>
Total comprehensive loss	<u>\$ (217,096)</u>	<u>(570,036)</u>
Total comprehensive loss attributable to investee's shareholders	<u>\$ (217,096)</u>	<u>(570,036)</u>
		<b>For the nine months ended September 30, 2021</b>
The Consolidated Company's share in associate's net assets at beginning of year	\$ -	
Comprehensive loss attributable to the Consolidated Company		(186,092)
Increase of investment		<u>1,111,982</u>
The Consolidated Company's share in associate's net assets at end of year		925,890
Less: unrealized gains or losses		(12,163)
Add: goodwill		<u>102,489</u>
Carrying amounts of investments accounted for using equity method		<u>\$ 1,016,216</u>

(Continued)

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

- 3) The financial information on T-COM is summarized as follows:

		<b>September 30, 2021</b>
Current assets	\$	32,206
Non-current assets		991
Current liabilities		3,940
Non-current liabilities		<u>15</u>
Net assets attributable to investee's shareholders	\$	<u><u>29,242</u></u>
	<b>For the three months ended September 30, 2021</b>	<b>For the nine months ended September 30, 2021</b>
Operating revenue	\$ <u>393</u>	<u>393</u>
Net loss	\$ (2,004)	(3,282)
Other comprehensive loss	<u>-</u>	<u>-</u>
Total comprehensive loss	\$ <u>(2,004)</u>	<u>(3,282)</u>
Total comprehensive loss attributable to investee's shareholders	\$ <u>(2,004)</u>	<u>(3,282)</u>
		<b>For the nine months ended September 30, 2021</b>
The Consolidated Company's share in associate's net assets at beginning of year	\$	-
Comprehensive loss attributable to the Consolidated Company		(873)
Increase of investment		<u>12,485</u>
The Consolidated Company's share in associate's net assets at end of year		11,612
Less: unrealized gain		-
Add: goodwill		<u>-</u>
Carrying amounts of investments accounted for using equity method	\$	<u><u>11,612</u></u>

(Continued)

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Alpha	\$ <u>-</u>	<u>-</u>	<u>2,274,720</u>
Cameo	\$ <u>1,650,396</u>	<u>-</u>	<u>-</u>

The Consolidated Company originally held 17.35% shares of Cameo and accounted for financial assets at fair value through other comprehensive income 414,472 thousand. The Consolidated Company increased investments amounted 799,999 thousand in Cameo on February 17, 2021 and became to hold 41.58% shares of Cameo after increasing investments. Therefore, the Consolidated Company had a significant influence on Cameo and accounted for investments accounted for using equity methods.

- 5) In 2020, the Consolidated Company disposed the investments of Alpha Networks Inc. and gain on disposals by using the equity method was \$1,292,494 thousand.
- 6) The Consolidated Company invested 12,485 thousand in T-COM in April 2021, with a shareholding ratio of 40%. Therefore, the Consolidated Company had a significant influence on T-COM and accounted for investments accounted for using equity methods.

(ii) Pledges

As of September 30, 2021, December 31, 2020 and September 30, 2020, 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		
		September 30, 2021	December 31, 2020	September 30, 2020
D-Link India	India	48.98 %	48.98 %	48.98 %

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

(Continued)

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current assets	\$ 1,535,788	1,374,919	1,274,162
Non-current assets	545,017	561,306	571,087
Current liabilities	691,053	594,912	501,880
Non-current liabilities	<u>19,129</u>	<u>25,432</u>	<u>27,831</u>
Net assets	<u>\$ 1,370,623</u>	<u>1,315,881</u>	<u>1,315,538</u>
Net assets attributable to non-controlling interests	<u>\$ 511,358</u>	<u>480,860</u>	<u>477,145</u>
	<b>For the three months ended September 30,</b>	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating revenues	<u>\$ 910,522</u>	<u>715,924</u>	<u>2,323,006</u>
Net profit	\$ 50,940	36,799	125,352
Other comprehensive income (loss)	<u>1,176</u>	<u>4,698</u>	<u>(38,878)</u>
Total comprehensive income	<u>\$ 52,116</u>	<u>41,497</u>	<u>86,474</u>
Net income attributable to non-controlling interests	<u>\$ 24,951</u>	<u>18,024</u>	<u>61,398</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 25,527</u>	<u>20,325</u>	<u>42,356</u>
Cash flows (used in) from operating activities		\$ (839)	246,698
Cash flows used in investing activities		(66,994)	(131,033)
Cash flows used in financing activities		<u>(24,061)</u>	<u>(73)</u>
Net (decrease) increase in cash and cash equivalents		<u>\$ (91,894)</u>	<u>115,592</u>

(Continued)

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

(h) Property, plant and equipment

For the nine months ended September 30, 2021					
	Balance at January 1, 2021	Increase	Decrease	Others	Balance at September 30, 2021
Cost:					
Land	\$ 544,586	-	-	(98)	544,488
Buildings	875,425	436	-	(6,532)	869,329
Others	<u>1,360,132</u>	<u>24,871</u>	<u>(114,917)</u>	<u>(25,407)</u>	<u>1,244,679</u>
	<u>2,780,143</u>	<u>25,307</u>	<u>(114,917)</u>	<u>(32,037)</u>	<u>2,658,496</u>
Accumulated depreciation:					
Buildings	534,595	11,739	-	(2,397)	543,937
Others	<u>1,215,877</u>	<u>53,268</u>	<u>(114,322)</u>	<u>(22,763)</u>	<u>1,132,060</u>
	<u>1,750,472</u>	<u>65,007</u>	<u>(114,322)</u>	<u>(25,160)</u>	<u>1,675,997</u>
	<u>\$ 1,029,671</u>	<u>(39,700)</u>	<u>(595)</u>	<u>(6,877)</u>	<u>982,499</u>
For the nine months ended September 30, 2020					
	Balance at January 1, 2020	Increase	Decrease	Others	Balance at September 30, 2020
Cost:					
Land	\$ 548,005	-	-	(4,111)	543,894
Buildings	920,936	1,488	-	(50,378)	872,046
Others	1,386,319	35,579	(19,493)	(29,407)	1,372,998
Equipment to be inspected and construction in process	<u>-</u>	<u>2,819</u>	<u>-</u>	<u>(69)</u>	<u>2,750</u>
	<u>2,855,260</u>	<u>39,886</u>	<u>(19,493)</u>	<u>(83,965)</u>	<u>2,791,688</u>
Accumulated depreciation:					
Buildings	527,920	13,266	-	(10,173)	531,013
Others	<u>1,245,586</u>	<u>53,033</u>	<u>(19,022)</u>	<u>(27,129)</u>	<u>1,252,468</u>
	<u>1,773,506</u>	<u>66,299</u>	<u>(19,022)</u>	<u>(37,302)</u>	<u>1,783,481</u>
	<u>\$ 1,081,754</u>	<u>(26,413)</u>	<u>(471)</u>	<u>(46,663)</u>	<u>1,008,207</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, no property, plant and equipment has been pledged as collateral.

(Continued)

**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, 2021	\$ 644,005	8,047	58,254	710,306
Increase	132,392	3,863	3,256	139,511
Decrease	(278,281)	(2,771)	(6,593)	(287,645)
Others	<u>(26,391)</u>	<u>(490)</u>	<u>(4,156)</u>	<u>(31,037)</u>
Balance at September 30, 2021	<u>\$ 471,725</u>	<u>8,649</u>	<u>50,761</u>	<u>531,135</u>
Balance at January 1, 2020	\$ 655,620	6,206	49,336	711,162
Increase	95,308	-	11,315	106,623
Decrease	(33,168)	(574)	(7,311)	(41,053)
Others	<u>(14,284)</u>	<u>(105)</u>	<u>(452)</u>	<u>(14,841)</u>
Balance at September 30, 2020	<u>\$ 703,476</u>	<u>5,527</u>	<u>52,888</u>	<u>761,891</u>
Accumulated Depreciation:				
Balance at January 1, 2021	\$ 212,885	3,080	24,183	240,148
Increase	95,643	1,726	12,978	110,347
Decrease	(103,380)	(2,651)	(4,687)	(110,718)
Others	<u>(8,442)</u>	<u>(157)</u>	<u>(2,109)</u>	<u>(10,708)</u>
Balance at September 30, 2021	<u>\$ 196,706</u>	<u>1,998</u>	<u>30,365</u>	<u>229,069</u>
Balance at January 1, 2020	\$ 139,283	2,421	15,381	157,085
Increase	104,046	1,797	12,732	118,575
Decrease	(28,699)	(574)	(7,311)	(36,584)
Others	<u>(4,471)</u>	<u>(7)</u>	<u>321</u>	<u>(4,157)</u>
Balance at September 30, 2020	<u>\$ 210,159</u>	<u>3,637</u>	<u>21,123</u>	<u>234,919</u>
Carrying amount:				
Balance at January 1, 2021	<u>\$ 431,120</u>	<u>4,967</u>	<u>34,071</u>	<u>470,158</u>
Balance at September 30, 2021	<u>\$ 275,019</u>	<u>6,651</u>	<u>20,396</u>	<u>302,066</u>
Balance at September 30, 2020	<u>\$ 493,317</u>	<u>1,890</u>	<u>31,765</u>	<u>526,972</u>

The Consolidated Company leases offices and warehouses under an operating lease from January 1 to September 30, 2021 and 2020, please refer to note 6(q).

(Continued)

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

(j) Investment property

<b>For the nine months ended September 30, 2021</b>				
	<b>Balance at January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at September 30, 2021</b>
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>11,924</u>	<u>297</u>	<u>-</u>	<u>12,221</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,272</u>	<u>(297)</u>	<u>-</u>	<u>38,975</u>
<b>For the nine months ended September 30, 2020</b>				
	<b>Balance at January 1, 2020</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at September 30, 2020</b>
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>297</u>	<u>-</u>	<u>11,824</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,669</u>	<u>(297)</u>	<u>-</u>	<u>39,372</u>
		<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Book value		<u>\$ 38,975</u>	<u>39,272</u>	<u>39,372</u>
Fair value		<u>\$ 51,328</u>	<u>51,328</u>	<u>51,328</u>

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(x). Besides, direct operating expenses related to investment property were \$0 thousand, \$0 thousand, \$290 thousand and \$294 thousand for the three months and nine months ended September 30, 2021 and 2020.

(Continued)

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

As of September 30, 2021, December 31, 2020 and September 30, 2020, no investment property has been pledged as collateral.

(k) Intangible assets

<b>For the nine months ended September 30, 2021</b>						
	<b>Balance at January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Amortization</b>	<b>Others</b>	<b>Balance at September 30, 2021</b>
Goodwill	\$ 295,459	-	-	-	(6,365)	289,094
Trademark	136,579	-	-	-	(3,076)	133,503
Patents	17,719	-	-	(2,019)	-	15,700
Computer software costs	43,113	3,689	(2,321)	(19,517)	-	24,964
Other intangible assets	18,459	6,892	-	(13,041)	(347)	11,963
	<u>\$ 511,329</u>	<u>10,581</u>	<u>(2,321)</u>	<u>(34,577)</u>	<u>(9,788)</u>	<u>475,224</u>
<b>For the nine months ended September 30, 2020</b>						
	<b>Balance at January 1, 2020</b>	<b>Increase</b>	<b>Decrease</b>	<b>Amortization</b>	<b>Others</b>	<b>Balance at September 30, 2020</b>
Goodwill	\$ 308,477	-	-	-	(9,126)	299,351
Trademark	144,235	-	-	-	(4,695)	139,540
Patents	20,411	-	-	(2,019)	-	18,392
Computer software costs	72,667	2,749	-	(25,390)	-	50,026
Other intangible assets	40,518	795	-	(16,320)	(1,240)	23,753
	<u>\$ 586,308</u>	<u>3,544</u>	<u>-</u>	<u>(43,729)</u>	<u>(15,061)</u>	<u>531,062</u>

(l) Long-term and short-term borrowings

As of September 30, 2021, December 31, 2020 and September 30, 2020, 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:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Short-term loans	<u>\$ 4,252,977</u>	<u>3,464,541</u>	<u>3,839,816</u>
Long-term loans	<u>\$ 500,000</u>	<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:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current	\$ <u>149,594</u>	<u>147,068</u>	<u>140,408</u>
Non-current	\$ <u>321,487</u>	<u>349,906</u>	<u>415,739</u>

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interests on lease liabilities	\$ <u>4,140</u>	<u>4,998</u>	<u>12,948</u>	<u>15,986</u>
Expenses relating to short-term leases	\$ <u>11,956</u>	<u>10,974</u>	<u>35,262</u>	<u>38,681</u>
COVID-19-related rent concessions	\$ <u>(21)</u>	<u>(260)</u>	<u>(43)</u>	<u>(341)</u>

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

	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ <u>213,571</u>	<u>178,132</u>

(i) Real estate leases

As of September 30, 2021, the Consolidated Company leases buildings for its office space. The leases of office space typically ran for one to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

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

## (n) Provisions-current

	For the nine months ended September 30, 2021					Balance at September 30, 2021
	Balance at January 1, 2021	Increase	Used	Reversed	Effect of exchange	
Warranties	\$ 127,303	8,639	(16,373)	-	(3,056)	116,513
Legal proceedings and royalties	<u>132,650</u>	<u>8,127</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(663)</u>	<u>75,238</u>
	<u>\$ 259,953</u>	<u>16,766</u>	<u>(25,621)</u>	<u>(55,628)</u>	<u>(3,719)</u>	<u>191,751</u>
	For the nine months ended September 30, 2020					
	Balance at January 1, 2020	Increase	Used	Reversed	Effect of exchange	Balance at September 30, 2020
Warranties	\$ 122,656	12,247	(8,014)	(760)	(4,259)	121,870
Legal proceedings and royalties	<u>85,079</u>	<u>72,777</u>	<u>(6,294)</u>	<u>-</u>	<u>19</u>	<u>151,581</u>
	<u>\$ 207,735</u>	<u>85,024</u>	<u>(14,308)</u>	<u>(760)</u>	<u>(4,240)</u>	<u>273,451</u>

## (o) Refund liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Refund liabilities	\$ <u>486,313</u>	<u>555,409</u>	<u>568,429</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	September 30, 2020
Exchangeable bonds	\$ 1,200,000	1,200,000
Accumulated exchanged bonds	(1,199,400)	(1,199,400)
Due for repayment	<u>(600)</u>	<u>(600)</u>
Balance of exchangeable bonds	<u>\$ -</u>	<u>-</u>
Embedded derivatives:		

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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	<b>For the three months ended September 30,</b>	<b>For the nine months ended September 30,</b>
	<b>2020</b>	<b>2020</b>
Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ -</u>	<u>34,967</u>
Interest expense	<u>\$ -</u>	<u>2,107</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 had been made.

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 nine months ended September 30, 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.

(Continued)

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

(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.

(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:

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

	September 30, 2021	September 30, 2020
Within one year	\$ 578	771
One to two years	<u>-</u>	<u>546</u>
Total undiscounted lease payments	<u>\$ 578</u>	<u>1,317</u>

(r) Employee benefits

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension costs in the interim consolidated financial statements were measured and disclosed according to the actuarial report for the years ended December 31, 2020 and 2019.

(i) Defined benefit pension plans

The expenses recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating costs	\$ <u>4</u>	<u>-</u>	<u>11</u>	<u>-</u>
Operating expenses	<u>\$ 215</u>	<u>297</u>	<u>644</u>	<u>893</u>

(ii) Defined contribution plans

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

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating costs	\$ <u>1,522</u>	<u>1,371</u>	<u>4,396</u>	<u>4,726</u>
Operating expenses	<u>\$ 32,040</u>	<u>25,337</u>	<u>96,928</u>	<u>80,652</u>

(Continued)

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

(s) Income Taxes

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Current income tax expense	\$ 17,066	27,934	45,735	53,548
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	<u>(6,212)</u>	<u>(3,383)</u>	<u>27,863</u>	<u>28,477</u>
Income tax expenses	<u>\$ 10,854</u>	<u>24,551</u>	<u>73,598</u>	<u>82,025</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2021	2021	2020
Items that may be reclassified subsequently to profit or loss:	<u>\$ (3,186)</u>	<u>(29,642)</u>	<u>(33,350)</u>	<u>(61,883)</u>

The income tax returns of the Company has been examined by the tax authority through 2018. The income tax return of Yeochia, Yeotai and Yeomao has been examined by the tax authority through 2019.

(t) Capital and other equity

(i) Common stock

As of September 30, 2021, December 31, 2020, and September 30, 2020, the authorized capital amounted to \$8,800,000 thousand (including \$750,000 thousand authorized for the issuance of the employee stock options). As of September 30, 2021, December 31, 2020, and September 30, 2020, the paid-in Consolidated Company's authorized common stock consisted 599,837 thousand, 651,996 thousand and 651,996 thousand shares, with a par value of \$10 per share, amounting to \$5,998,365 thousand, \$6,519,961 thousand and \$6,519,961 thousand.

For the purpose of enhancing the return on equity and the structure of capital, the capital reduction through cashes 521,596 thousand return to shareholders was proposed by the Company's Board on March 17, 2021, capital reduction 8% of common shares. This capital reduction was approved by the shareholders' meeting on July 5, 2021, and had the effective

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

registration by the competent Authority. The record date of the capital reduction is on September 1, 2021, and all relevant change registrations of the capital reduction was finished on October 5, 2021.

(ii) Capital surplus

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

	September 30, 2021	December 31, 2020	September 30, 2020
Common stock in excess of par value	\$ 1,217,030	1,217,030	1,217,030
Treasury share transactions	39,310	39,310	39,310
Changes in equities of associates accounted for using equity method	-	740	58,260
Expiry of share-based payment transactions	129,459	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>	<u>55,320</u>
Total	<u>\$ 1,522,573</u>	<u>1,523,313</u>	<u>1,580,833</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 R.O.C. Company Act No. 237, the Company must retain 10% of its net profit as a legal reserve until such retention equals the total paid-in capital.

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

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on April 6, 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's appropriation of earnings for 2020 had been proposed in the Board meeting held on March 17, 2021. After offsetting accumulated losses from prior years, the Board of Directors decided to distribute cash dividends \$0.3 per share. The appropriation of earnings for 2020 was approved by in the shareholders' meeting on July 5, 2021. Information on the appropriation of earnings for 2020 was available at the Market Observation Post System website.

The Company has no earnings to distribute for 2019 due to the accumulated deficit.

4) Dividend policy

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

(Continued)

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

## (iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2021	\$ (1,520,585)	(88,606)	-
The Consolidated Company	(254,812)	39,057	-
Associates	(2,749)	(13,262)	-
The Consolidated Company-disposal	-	56,662	-
Balance at September 30, 2021	<u>\$ (1,778,146)</u>	<u>(6,149)</u>	<u>-</u>
Balance at January 1, 2020	\$ (1,236,701)	(165,102)	(3,484)
The Consolidated Company	(322,180)	(4,896)	-
Associates	2,328	20,984	3,484
The Consolidated Company-disposal	-	73	-
Balance at September 30, 2020	<u>\$ (1,556,553)</u>	<u>(148,941)</u>	<u>-</u>

## (v) Non-controlling interests

	For the nine months ended September 30,	
	2021	2020
Balance at the beginning of the period	\$ 480,860	452,625
Net income attributable to non-controlling interest:		
Net income	61,398	54,426
Exchange differences on translation of foreign financial statements	(19,042)	(29,906)
Cash dividends distributed by subsidiaries	(11,858)	-
Balance at the end of the period	<u>\$ 511,358</u>	<u>477,145</u>

## (u) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net (loss) income of the parent company for the year	<u>\$ (26,978)</u>	<u>302,839</u>	<u>(185,373)</u>	<u>250,131</u>
Outstanding ordinary shares	<u>634,610</u>	<u>651,996</u>	<u>646,201</u>	<u>651,996</u>
Basic (loss) earnings per share	<u>\$ (0.04)</u>	<u>0.46</u>	<u>(0.29)</u>	<u>0.38</u>

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

## (ii) Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net (loss) income of the parent company for the year	\$ <u>(26,978)</u>	<u>302,839</u>	<u>(185,373)</u>	<u>250,131</u>
Weighted average number of outstanding ordinary shares (based)	634,610	651,996	646,201	651,996
Employees' compensation have not been resolved by the Board meeting	<u>-</u>	<u>-</u>	<u>542</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>634,610</u>	<u>651,996</u>	<u>646,743</u>	<u>651,996</u>
Diluted earnings (loss) per share	\$ <u>(0.04)</u>	<u>0.46</u>	<u>(0.29)</u>	<u>0.38</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	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Network communication products	\$ 3,918,061	4,123,904	11,113,913	10,906,573
Services	<u>39,646</u>	<u>37,584</u>	<u>110,375</u>	<u>118,004</u>
	<u>\$ 3,957,707</u>	<u>4,161,488</u>	<u>11,224,288</u>	<u>11,024,577</u>

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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Primary geographical markets	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Europe	\$ 813,967	818,072	2,608,601	2,145,940
Others	<u>3,143,740</u>	<u>3,343,416</u>	<u>8,615,687</u>	<u>8,878,637</u>
	<u>\$ 3,957,707</u>	<u>4,161,488</u>	<u>11,224,288</u>	<u>11,024,577</u>

(ii) Contract liabilities

- 1) Contract liabilities related to revenue recognized by customer contract:

	September 30, 2021	December 31, 2020	September 30, 2020
Current contract liabilities (sales)	\$ <u>142,102</u>	<u>123,995</u>	<u>118,330</u>

- 2) The amount of revenue recognized for the three months and nine months ended September 30, 2021 and 2020 were included in the contract liability balance at the beginning of the period were \$14,649 thousand, \$12,418 thousand, \$63,188 thousand and \$73,148 thousand, respectively.

(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 director's 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.

The Company was not required to accrue employee compensation and directors' remuneration due to the loss for the nine months ended September 30, 2021. Also, the Company was not required to accrue employee compensation and director's remuneration for the nine months ended September 30, 2020 after evaluation. Until the end of year, the Company's management would report to the Board of Directors for the scope of allocation, according to the articles of incorporation and actual profit for the year ended.

In 2020, the company's actual distribution of employees' compensation and directors' remuneration were \$46,800 thousand and \$4,680 thousand, respectively. The actual distributions of employees' compensation and directors' remuneration were higher than estimated amounts and the total difference was \$8,544 thousand shall be accounted for as a change in accounting estimate and recognized in the current year. Related information would be available at the Market Observation Post System website.

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

## (x) Other income and losses

## (i) Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest income from bank deposits	\$ <u>4,609</u>	<u>2,643</u>	<u>13,323</u>	<u>13,059</u>

## (ii) Other income

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Rent income	\$ 590	351	1,468	1,310
Dividend income	<u>-</u>	<u>880</u>	<u>-</u>	<u>880</u>
Total	<u>\$ 590</u>	<u>1,231</u>	<u>1,468</u>	<u>2,190</u>

## (iii) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Gain on disposals of investments	\$ 1,593	84,673	4,112	227,155
Foreign exchange gains (losses)	(1,081)	18,533	(26,302)	8,958
Valuation gains (losses) from financial assets and liabilities	3,658	(6,901)	(3,984)	(27,302)
Others	<u>6,955</u>	<u>10,390</u>	<u>38,744</u>	<u>79,402</u>
Total	<u>\$ 11,125</u>	<u>106,695</u>	<u>12,570</u>	<u>288,213</u>

## (iv) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest expense	\$ (2,276)	(1,654)	(7,535)	(7,737)
Lease liability interests	<u>(4,140)</u>	<u>(4,998)</u>	<u>(12,948)</u>	<u>(15,986)</u>
Total	<u>\$ (6,416)</u>	<u>(6,652)</u>	<u>(20,483)</u>	<u>(23,723)</u>

(Continued)

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

(y) Reclassification adjustments of components of other comprehensive income

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

	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ (288,162)	(384,063)
Change in exchange from non-controlling interests	(19,042)	(29,906)
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<b>\$ (307,204)</b>	<b>(413,969)</b>
Share of other comprehensive income of associates accounted for using equity method		
Change in foreign currency exchange from associates	\$ (2,749)	(13,219)
Reclassification to profit or loss	-	15,832
Change in other comprehensive income from associates	-	3,199
Share of other comprehensive income from associates	<b>\$ (2,749)</b>	<b>5,812</b>

(z) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash and cash equivalents	\$ 3,214,449	6,216,327	3,603,190
Financial assets at fair value through profit or loss - current	300,571	238,951	211,663
Notes receivable, accounts receivable and other receivables (including related parties)	3,337,461	3,119,834	3,268,152
Financial lease payment receivable	163,176	-	-
Financial assets at fair value through other comprehensive income - non-current	72,869	454,435	432,688
Refundable deposits and other current assets	78,174	222,152	53,918
	<b>\$ 7,166,700</b>	<b>10,251,699</b>	<b>7,569,611</b>

(Continued)

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

2) Financial liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Financial liabilities at fair value through profit or loss - current	\$ 16,549	18,324	23,202
Notes payable, accounts payable and other payables (including related parties)	4,463,740	4,125,129	4,034,222
Guarantee deposits received	75,509	70,284	66,230
Lease liability (current and non-current)	<u>471,081</u>	<u>496,974</u>	<u>556,147</u>
	<u>\$ 5,026,879</u>	<u>4,710,711</u>	<u>4,679,801</u>

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of September 30, 2021, December 31, 2020 and September 30, 2020, the maximum exposure to credit risk has amounted to \$7,166,700 thousand, \$10,251,699 thousand and \$7,569,611 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
<b>September 30, 2021</b>							
Non-derivative financial liabilities							
Notes payable	\$ 198	198	198	-	-	-	-
Accounts payable	2,552,380	2,552,380	2,552,380	-	-	-	-
Accounts payable - related parties	167,338	167,338	167,338	-	-	-	-
Other payables	1,743,824	1,743,824	1,743,824	-	-	-	-
Lease liability	471,081	503,192	84,735	77,734	107,248	214,629	18,846
Guarantee deposits received	75,509	75,509	75,509	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	16,534	2,955,807	2,955,807	-	-	-	-
Inflow	-	2,432,074	2,432,074	-	-	-	-
Forward foreign exchange contracts							
Outflow	15	715,282	715,282	-	-	-	-
Inflow	-	728,016	728,016	-	-	-	-
	<u>\$ 5,026,879</u>	<u>11,873,620</u>	<u>11,455,163</u>	<u>77,734</u>	<u>107,248</u>	<u>214,629</u>	<u>18,846</u>

(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
<b>December 31, 2020</b>							
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>
	<b>Book value</b>	<b>Contractual cash flows</b>	<b>Within six months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over five years</b>
<b>September 30, 2020</b>							
Non-derivative financial liabilities							
Notes payable	\$ 413	413	413	-	-	-	-
Accounts payable	1,703,302	1,703,302	1,703,302	-	-	-	-
Accounts payable - related parties	980,260	980,260	980,260	-	-	-	-
Other payables	1,350,247	1,350,247	1,350,247	-	-	-	-
Lease liability	556,147	606,400	80,006	77,112	141,541	199,672	108,069
Guarantee deposits received	66,230	66,230	66,230	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	18,922	1,156,162	1,156,162	-	-	-	-
Inflow	-	1,135,933	1,135,933	-	-	-	-
Forward foreign exchange contracts							
Outflow	4,280	313,116	313,116	-	-	-	-
Inflow	-	307,658	307,658	-	-	-	-
	<u>\$ 4,679,801</u>	<u>7,619,721</u>	<u>7,093,327</u>	<u>77,112</u>	<u>141,541</u>	<u>199,672</u>	<u>108,069</u>

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

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:

	September 30, 2021			December 31, 2020			September 30, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets (note):										
Monetary items:										
CLP	\$	102,435	0.04	3,516	203,714	0.04	8,165	87,952	0.04	3,267
JPY		876,563	0.25	219,483	1,438,073	0.28	396,985	1,079,096	0.28	298,025
CAD		11,190	21.98	245,940	16,704	22.40	374,126	17,775	21.87	388,781
USD		166,761	27.87	4,646,968	218,439	28.51	6,227,244	193,263	29.13	5,628,970
MXN		2,386	1.38	3,244	2,218	1.43	3,171	2,153	1.30	2,805
BRL		26,502	5.12	135,772	25,011	5.49	137,208	33,958	5.16	175,342
AUD		5,324	20.12	<u>107,111</u>	7,530	21.96	<u>165,355</u>	7,831	20.87	<u>163,405</u>
				<u>\$ 5,362,034</u>			<u>7,312,254</u>			<u>6,660,595</u>
Non-monetary items:										
USD	\$	10,359	27.87	<u>288,674</u>	7,754	28.51	<u>221,056</u>	6,926	29.13	<u>201,719</u>
Derivative instruments:										
GBP	\$	17	37.54	644	-	-	-	-	-	-
AUD		12	20.12	246	-	-	-	21	20.87	445
EUR		249	32.27	8,026	345	34.84	12,011	158	34.14	5,404
USD		12	27.87	321	-	-	-	10	29.13	297
JPY		2,125	0.25	532	32,059	0.28	8,850	3,954	0.28	1,092
RUB		44	0.38	17	569	0.39	220	-	-	-
BRL		1,148	5.12	5,881	101	5.49	554	883	5.16	4,562
CAD		3	21.98	64	-	-	-	51	21.87	1,109
KRW		10,595	0.03	<u>285</u>	-	-	<u>-</u>	3,988	0.03	<u>107</u>
				<u>\$ 16,016</u>			<u>21,635</u>			<u>13,016</u>

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

	September 30, 2021			December 31, 2020			September 30, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities (note):									
Monetary items:									
JPY	\$ 1,914,981	0.25	479,494	2,022,386	0.28	557,803	1,945,891	0.28	537,417
CAD	1,038	21.98	22,818	1,359	22.40	30,440	1,529	21.87	33,452
EUR	10,047	32.27	324,218	10,045	34.84	349,937	10,020	34.14	342,100
BRL	22,975	5.12	117,699	26,604	5.49	145,944	28,650	5.16	147,936
USD	145,224	27.87	4,046,809	120,732	28.51	3,441,834	139,556	29.13	4,064,704
CLP	159,136	0.04	5,462	180,271	0.04	7,226	182,307	0.04	6,771
AUD	2,212	20.12	44,505	2,740	21.96	60,160	2,664	20.87	55,596
MXN	115	1.38	<u>156</u>	104	1.43	<u>148</u>	116	1.30	<u>151</u>
			<u>\$ 5,041,161</u>			<u>4,593,492</u>			<u>5,188,127</u>
Derivative instruments:									
EUR	\$ 155	32.27	4,994	91	34.84	3,184	33	34.14	1,130
CAD	14	21.98	301	36	22.40	797	-	-	-
JPY	30,536	0.25	7,646	5,040	0.28	1,391	3,789	0.28	1,047
KRW	-	-	-	30,795	0.03	828	10,571	0.03	284
BRL	-	-	-	103	5.49	565	-	-	-
USD	76	27.87	2,117	32	28.51	917	358	29.13	10,429
CNH	345	4.32	1,491	1,863	4.37	8,140	2,321	4.29	9,956
AUD	-	-	<u>-</u>	114	21.96	<u>2,502</u>	17	20.87	<u>356</u>
			<u>\$ 16,549</u>			<u>18,324</u>			<u>23,202</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 \$1,081 thousand, gain \$18,533 thousand, losses \$26,302 thousand and gain \$8,958 thousand for the three months and nine months ended September 30, 2021 and 2020, respectively.

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency for the nine months ended September 30, 2021 and 2020 would have increased or decreased the net income (loss) after tax by \$7,259 thousand and \$19,931 thousand and increased or decreased the equity by \$62 thousand and \$46 thousand, respectively, assuming all other variables were held constant.

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

(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:

<b>September 30, 2021</b>				
<b>Assets and liabilities</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Measured at fair value on recurring basis</b>				
<b>Non-derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	\$ 284,555	284,555	-	-
Financial assets at fair value through other comprehensive income	72,869	68,750	-	4,119
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	16,016	-	16,016	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss - current	16,549	-	16,549	-
<b>December 31, 2020</b>				
<b>Assets and liabilities</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Measured at fair value on recurring basis</b>				
<b>Non-derivative assets and liabilities</b>				
<b>Assets:</b>				
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
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	21,635	-	21,635	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss - current	18,324	-	18,324	-

(Continued)

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

Assets and liabilities	Total	September 30, 2020		
		Level 1	Level 2	Level 3
<b>Measured at fair value on recurring basis</b>				
<b>Non-derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	\$ 198,647	198,647	-	-
Financial assets at fair value through other comprehensive income	432,688	429,615	-	3,073
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	13,016	-	13,016	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss - current	23,202	-	23,202	-

2) Valuation techniques

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

3) Transfer between Level 1 and Level 2

For the three months and nine months ended September 30, 2021 and 2020, there were no transfers between level 1 and level 2 of the fair value hierarchy.

4) Reconciliation of level 3 fair values

	<b>Financial assets at fair value through other comprehensive income</b>
Balance at January 1, 2021	\$ 3,739
Recognized in other comprehensive income	380
Balance at September 30, 2021	<u>\$ 4,119</u>
Balance at January 1, 2020	\$ 2,560
Recognized in other comprehensive income	513
Balance at September 30, 2020	<u>\$ 3,073</u>

(Continued)

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

For the nine months ended September 30, 2021 and 2020, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
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”	\$	1,600	(15)	513

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

- 1) Information of fair value

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-financial assets:						
Investment property	\$ <u>38,975</u>	<u>51,328</u>	<u>39,272</u>	<u>51,328</u>	<u>39,372</u>	<u>51,328</u>

(Continued)

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

<u>Assets and liabilities</u>	<u>September 30, 2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328
<b>December 31, 2020</b>				
<u>Assets and liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328
<b>September 30, 2020</b>				
<u>Assets and liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328

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.

(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.

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## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

(ii) Structure of risk management

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

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

The Board of Directors and 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.

1) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the political and economic stability of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Consolidated Company operates worldwide, and thus, risk is diversified. As of September 30, 2021, December 31, 2020 and September 30, 2020, 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.

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## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

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

#### 2) Investment in securities and derivative financial instruments

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

#### 3) Guarantees

The Consolidated Company's policies is to provide financial guarantees only to wholly owned subsidiaries. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Consolidated Company has not provided any guarantees to a third party.

#### (iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. The Consolidated Company aims to maintain the level of its cash and short-term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Consolidated Company had unused credit facilities for \$4,752,977 thousand as of September 30, 2021.

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## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

(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.

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.

(Continued)

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

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:

	September 30, 2021	December 31, 2020	September 30, 2020
Total liabilities	\$ 6,383,672	6,209,875	6,105,030
Less: cash and cash equivalents	<u>(3,214,449)</u>	<u>(6,216,327)</u>	<u>(3,603,190)</u>
Net debt	<u>\$ 3,169,223</u>	<u>(6,452)</u>	<u>2,501,840</u>
Total equity	<u>\$ 8,635,781</u>	<u>9,740,355</u>	<u>8,741,719</u>
Debt-to-equity ratio	<u>36.70%</u>	<u>(0.07)%</u>	<u>28.62%</u>

As of September 30, 2021, the methods of the Consolidated Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the nine months ended September 30, 2021 and 2020 were as follows:

- (i) For right-to-use assets, please refer to note 6(i).
- (ii) For exchangeable corporate bonds, please refer to note 6(p).

(Continued)

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

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

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

  

	<b>Non-cash changes</b>					
	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Exchange</b>	<b>Fair value changes</b>	<b>Others</b>	<b>September 30, 2020</b>
Bonds payable	\$ 301,003	(608)	(302,502)	2,107	-	-
Lease liabilities	604,474	(123,724)	-	-	75,479	556,229
Others	<u>69,121</u>	<u>(2,892)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,229</u>
Total liabilities from financing activities	<u>\$ 974,598</u>	<u>(127,224)</u>	<u>(302,502)</u>	<u>2,107</u>	<u>75,479</u>	<u>622,458</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:

<b>Name of related party</b>	<b>Relationship with the Consolidated Company</b>
Alpha Networks, Inc.	An associate (Since all the equity shares have been sold, it became a non-related party after November 30, 2020.)
Dongguan 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.)
Cameo Communication, Inc.	An associate (Due to increasing shareholding in February 2021, the Consolidated Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)
Amigo Technology Inc.	Other related party
Amit Wireless Inc.	Other related party
T-COM, LLC	An associate

(Continued)

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

(b) Significant related party transactions

(i) Sales and service revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Associates	\$ 1,465	109	1,579	325
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>\$ 1,465</u>	<u>109</u>	<u>1,579</u>	<u>388</u>

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

(ii) Purchases

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Associates:				
Alpha	\$ -	419,983	-	1,060,549
Cameo	240,914	-	806,115	-
Other related parties:				
Cameo	-	479,210	-	1,020,648
Amit	1,373	-	1,373	-
Amigo	<u>26,068</u>	<u>-</u>	<u>26,204</u>	<u>-</u>
	<u>\$ 268,355</u>	<u>899,193</u>	<u>833,692</u>	<u>2,081,197</u>

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

(iii) Receivables from related parties

Account	Relationship	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	Associates— Alpha	\$ -	-	217
Accounts receivable	Associates— Others	1,774	-	-
Other receivables	Associates— Alpha	-	-	1,682
Other receivables	Associates— Others	-	-	123

(Continued)

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

Account	Relationship	September 30, 2021	December 31, 2020	September 30, 2020
Other receivables	Other related parties — Cameo	-	29	-
Other receivables	Other related parties — Amigo	17,254	-	-
Other receivables	Other related parties — Amit	474	-	-
Prepayment for purchase	Associates— Alpha	-	-	33,515
Prepayment for purchase	Other related parties — Cameo	-	18,520	36,630
Prepayment for purchase	Associates— Cameo	10,919	-	-
		<u>\$ 30,421</u>	<u>18,549</u>	<u>72,167</u>

The Consolidated Company's other receivables to Associates— Alpha were cash dividends receivable and others.

(iv) Payables to related parties

Account	Relationship	September 30, 2021	December 31, 2020	September 30, 2020
Accounts payable	Associates— Alpha	\$ -	-	466,803
Accounts payable	Associates— Cameo	132,504	-	-
Accounts payable	Other related parties — Cameo	-	367,482	513,457
Accounts payable	Other related parties — Amigo	33,405	-	-
Accounts payable	Other related parties — Amit	1,429	-	-
Other payables	Associates— Alpha	-	-	4,860
Other payables	Associates— Cameo	3,971	-	-
Other payables	Other related parties — Cameo	-	18,560	6,217
Other payables	Other related parties — Amigo	312	-	-
		<u>\$ 171,621</u>	<u>386,042</u>	<u>991,337</u>

The Consolidated Company's accounts payables to other related parties— Amigo were purchases, and temporary payment on behalf of a third-party. The payment term of related parties was 30-90 days. There were no significant differences in payment terms between related parties and third-parties suppliers.

(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:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Associates:				
Alpha	\$ -	2,585	-	17,620
Cameo	324	-	10,721	-
Others	-	-	-	150
Other related parties:				
Cameo	-	3,172	-	16,388
Amigo	<u>297</u>	<u>-</u>	<u>605</u>	<u>-</u>
	<u>\$ 621</u>	<u>5,757</u>	<u>11,326</u>	<u>34,158</u>

(vi) Property transaction

Property, plant and equipment acquired

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Associates:				
Alpha	\$ -	-	-	1,869
Cameo	-	-	321	-
Other related parties:				
Cameo	<u>-</u>	<u>2,632</u>	<u>-</u>	<u>6,178</u>
	<u>\$ -</u>	<u>2,632</u>	<u>321</u>	<u>8,047</u>

(vii) Other gains and losses

Account	Relationship	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
Other gains and losses	Associates – Alpha	\$ -	400	-	1,679
Other gains and losses	Other related parties – Other	<u>412</u>	<u>-</u>	<u>412</u>	<u>-</u>
		<u>\$ 412</u>	<u>400</u>	<u>412</u>	<u>1,679</u>

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Short-term employee benefits \$	15,016	22,866	50,498	32,911
Post-employee benefits	<u>2,497</u>	<u>700</u>	<u>3,255</u>	<u>1,177</u>
	<u>\$ 17,513</u>	<u>23,566</u>	<u>53,753</u>	<u>34,088</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2021	December 31, 2020	September 30, 2020
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	<u>\$ 78,174</u>	<u>52,436</u>	<u>54,141</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 insufficient invoices attached to sales return with the local tax authorities, and had filed litigation. D-Link Brazil had accrued possible tax, interest and penalty.
- (c) The Consolidated Company's subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (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.

(Continued)

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

- (e) Israel Consumers Council filed a group lawsuit against the Company's subsidiary, D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has retained its attorneys to handle and negotiate a settlement. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (f) The Consolidated Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the amount of liabilities is unclear. The Consolidated Company has accrued the possible expense.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

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

By item	By function	For the three months ended September 30,					
		2021			2020		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		14,576	479,026	493,602	16,687	545,628	562,315
Labor and health insurance		582	31,656	32,238	683	29,740	30,423
Pension		1,526	32,255	33,781	1,371	25,634	27,005
Others		1,980	55,200	57,180	1,960	55,890	57,850
Depreciation		3,121	53,164	56,285	3,932	57,408	61,340
Amortization		9	9,579	9,588	13	14,627	14,640

By item	By function	For the nine months ended September 30,					
		2021			2020		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		46,196	1,572,693	1,618,889	51,586	1,647,406	1,698,992
Labor and health insurance		1,765	98,928	100,693	2,044	93,159	95,203
Pension		4,407	97,572	101,979	4,726	81,545	86,271
Others		6,449	182,201	188,650	6,252	177,419	183,671
Depreciation		10,549	165,102	175,651	11,353	173,818	185,171
Amortization		27	34,550	34,577	45	43,684	43,729

- (b) Seasonality of operations

The Consolidated Company's operations were not affected by seasonality or cyclicity factors.

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

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

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Corporation	Other receivables-related parties	Yes	557,320	557,320	557,320	-	2	-	Operating Capital	-	-	-	2,691,186	2,691,186
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	43,226	43,226	15,994	4.00	2	-	Operating Capital	-	-	-	2,691,186	2,691,186
1	D-Link International	D-Link Brazil	Other receivables-related parties	Yes	55,732	55,732	-	-	2	-	Operating Capital	-	-	-	2,691,186	2,691,186
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	531,112	531,112	531,112	-	2	-	Convert from Account receivables to loan receivable	-	-	-	2,691,186	2,691,186
2	D-Link Russia Investment	D-Link International	Other receivables-related parties	Yes	685,504	685,504	682,717	-	2	-	Operating Capital	-	-	-	696,508	696,508
3	D-Link Japan K.K.	D-Link Corporation	Other receivables-related parties	Yes	450,704	450,704	450,704	0.50	2	-	Operating Capital	-	-	-	703,708	703,708
4	D-Link Europe	D-Link Corporation	Other receivables-related parties	Yes	322,716	322,716	322,716	1.00	2	-	Operating Capital	-	-	-	1,273,156	1,273,156
5	D-Link (Deutschland) GmbH	D-Link Europe	Other receivables-related parties	Yes	161,358	161,358	100,042	1.00	2	-	Operating Capital	-	-	-	179,768	179,768

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 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 7: Only disclose funding loan limits that are still valid until September 30, 2021.

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	1,999,455	120,244	120,244	61,722	-	1.48 %	5,998,365	Y		
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	69,665	69,665	-	-	0.86 %	5,998,365	Y		Y
0	D-Link Corporation	D-Link Trade	2	1,999,455	13,933	13,933	-	-	0.17 %	5,998,365	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.

(iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss-non-current	749,663	-	4.11 %	-	
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss-non-current	83,334	-	1.89 %	-	
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss-non-current	500,000	-	1.84 %	-	
D-Link Corporation	YICHIA Information Corporation	None	Financial assets at fair value through profit or loss-non-current	73,500	-	6.68 %	-	
D-Link Corporation	UBICOM	None	Financial assets at fair value through profit or loss-non-current	926,814	-	3.05 %	-	
D-Link Corporation	Purple	None	Financial assets at fair value through profit or loss-non-current	3,385,417	-	14.10 %	-	
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss-non-current	6,600,000	-	2.39 %	-	
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss-non-current	600,000	-	1.88 %	-	
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss-non-current	252,525	-	0.05 %	-	
Yeochia	STEMCYTE	None	Financial assets at fair value through other comprehensive income-non-current	18,950	212	0.02 %	212	
Yeochia	Z-Com	None	Financial assets at fair value through other comprehensive income-non-current	2,343,041	19,611	3.23 %	19,611	
Yeochia	Quie Tek	None	Financial assets at fair value through profit or loss-non-current	6,257,896	-	12.63 %	-	
Yeomao	Kaimei	None	Financial assets at fair value through other comprehensive income-non-current	577,251	48,720	0.42 %	48,720	
Yeomao	Quie Tek	None	Financial assets at fair value through profit or loss-non-current	286,016	-	0.58 %	-	
Yeomao	ITEX	None	Financial assets at fair value through profit or loss-non-current	60,000	-	0.26 %	-	
Yeotai	Z-Com	None	Financial assets at fair value through other comprehensive income-non-current	50,000	419	0.07 %	419	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
Yeotai	Quie Tek	None	Financial assets at fair value through profit or loss-non-current	3,143,224	-	6.34 %	-	
D-Link India	MIRAE ASSET MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	9,059	7,509	-	7,509	
D-Link India	ICICI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	227,593	26,466	-	26,466	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	268,734	34,001	-	34,001	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	17,686	33,967	-	33,967	
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,633	33,985	-	33,985	
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	24,619	30,266	-	30,266	
D-Link India	LIC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	5,264	7,509	-	7,509	
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	18,248	28,167	-	28,167	
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	29,194	37,553	-	37,553	
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	43,395	37,623	-	37,623	
D-Link India	L&T LIQUID FUND	None	Financial assets at fair value through profit or loss-current	7,016	7,509	-	7,509	

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

(In Thousands of New Taiwan Dollars/shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases (Note 2)		Sales				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
D-Link Corporation	Cameo	Investment accounted for using equity method		Associate	39,852,993	364,655	97,680,000	799,999	-	-	-	-	137,532,993	1,016,216

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: Private placement of common stock.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sales)	Amount	Percentage of total purchases/ (Sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sales and service revenue)	(427,444)	(40) %	60 days	-	-	2,149	1%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	427,444	72 %	60 days	-	-	(2,149)	-%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sales)	(333,525)	(5) %	75 days	-	-	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sales)	(281,864)	(4) %	60 days	-	-	32,961	1%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sales)	(2,348,971)	(33) %	60 days	-	-	656,037	20%	

(Continued)

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sales)	Amount	Percentage of total purchases/(Sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sales)	(1,016,554)	(14) %	60 days	—	—	383,426	12%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sales)	(157,273)	(2) %	60 days	—	—	32,240	1%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sales)	(229,178)	(3) %	75 days	—	—	390,906	12%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sales)	(335,599)	(5) %	60 days	—	—	54,594	2%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sales)	(491,430)	(7) %	45 days	—	—	125,060	4%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(767,184)	(11) %	180 days	—	—	719,688	22%	
D-Link International	Cameo	Cameo is an associate of the consolidated corporation	Purchase	795,367	13 %	90 days	—	—	(128,786)	(6)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	333,525	89 %	75 days	—	—	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	281,864	99 %	60 days	—	—	(32,961)	(90)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	2,348,971	97 %	60 days	—	—	(656,037)	(84)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,016,554	58 %	60 days	—	—	(383,426)	(80)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	157,273	92 %	60 days	—	—	(32,240)	(98)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	229,178	92 %	75 days	—	—	(390,906)	(99)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	335,599	90 %	60 days	—	—	(54,594)	(95)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	491,430	23 %	45 days	—	—	(125,060)	(25)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	767,184	97 %	180 days	—	—	(719,688)	(99)%	

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

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue (Note 1)		Amounts received in subsequent period (Note 2)	Allowance for bad debts
					Amount	Action taken		
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	656,037	7.41	-	-	112,634	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	585,572	-	585,572	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	390,906	1.08	326,767	-	-	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	719,688	1.50	-	-	-	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	125,060	5.11	5	-	54,794	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	383,426	5.06	-	-	7	-

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

Note 2: The amount represents collections subsequent to September 30, 2021 up to November 15, 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 International	Cross currency swap	EUR	EUR	9,000	3,112	3,112
D Link International	Cross currency swap	GBP	GBP	1,000	640	640
D Link International	Cross currency swap	JPY	JPY	100,000	471	471
D Link International	Cross currency swap	RUB	RUB	150,028	17	17
D Link International	Forward foreign exchange contract	AUD (Sell)	AUD	1,000	246	246
D-Link International	Forward foreign exchange contract	EUR (Sell)	EUR	7,000	4,914	4,914
D-Link International	Forward foreign exchange contract	GBP (Sell)	GBP	500	4	4
D-Link International	Forward foreign exchange contract	CAD (Sell)	CAD	600	64	64
D-Link International	Forward foreign exchange contract	JPY (Sell)	JPY	50,000	61	61
D-Link International	Forward foreign exchange contract	BRL (Sell)	BRL	58,565	5,881	5,881
D-Link India	Forward foreign exchange contract	INR (Sell)	INR	129,085	321	321
D-Link International	Forward foreign exchange contract	KRW (Sell)	KRW	2,120,155	285	285
D-Link Corporation	Cross currency swap	USD	USD	21,700	(2,114)	(2,114)
D-Link Corporation	Cross currency swap	EUR	EUR	10,000	(4,994)	(4,994)
D-Link Corporation	Cross currency swap	JPY	JPY	1,800,000	(7,635)	(7,635)
D-Link International	Cross currency swap	CAD	CAD	3,000	(301)	(301)
D-Link International	Cross currency swap	CNH	CNH	133,670	(1,490)	(1,490)

(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
			JPY	INR		
D-Link International	Forward foreign exchange contract	JPY (Sell)	50,000		(11)	(11)
D-Link India	Forward foreign exchange contract	INR (Sell)	37,163		(4)	(4)

(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	1,339,212	-	9%
0	D-Link Corporation	D-Link Canada	1	Investments accounted for using equity method	283,455	-	2%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,129,011	-	14%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,708,808	-	11%
0	D-Link Corporation	Yeochia	1	Investments accounted for using equity method	268,757	-	2%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	832,113	-	6%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	733,196	-	5%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(569,138)	-	(4)%
0	D-Link Corporation	Cameo	1	Investments accounted for using equity method	1,016,216	-	7%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	427,444	60 days	4%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	876,899	-	6%
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	1,202,127	-	8%
1	D-Link Holding	Success Stone	3	Investments accounted for using equity method	150,425	-	1%
1	D-Link Holding	D-Link Shiang-Hai (Cayman) Inc.	3	Investments accounted for using equity method-credit	(536,018)	-	(4)%

(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 L.A.	3	Accounts receivable-related party	585,572	75 days	4%
2	D-Link International	D-Link India	3	Accounts receivable-related party	125,060	45 days	1%
2	D-Link International	D-Link Brazil	3	Accounts receivable-related party	390,906	75 days	3%
2	D-Link International	D-Link Europe	3	Accounts receivable-related party	656,037	60 days	4%
2	D-Link International	D-Link ME	3	Accounts receivable-related party	383,426	60 days	3%
2	D-Link International	D-Link Trade	3	Accounts receivable-related party	719,688	60 days	5%
2	D-Link International	D-Link Systems	3	Sales	333,525	75 days	3%
2	D-Link International	D-Link Europe	3	Sales	2,348,971	60 days	21%
2	D-Link International	D-Link Brazil	3	Sales	229,178	75 days	2%
2	D-Link International	D-Link Canada	3	Sales	281,864	60 days	3%
2	D-Link International	D-Link Trade	3	Sales	767,184	180 days	7%
2	D-Link International	D-Link India	3	Sales	491,430	45 days	4%
2	D-Link International	D-Link ME	3	Sales	1,016,554	60 days	9%
2	D-Link International	D-Link Australia	3	Sales	157,273	60 days	1%
2	D-Link International	D-Link Japan	3	Sales	335,599	60 days	3%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	696,508	-	5%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	859,254	-	6%
4	D-Link Shiang-Hai (Cayman) Inc.	D-Link Shiang-Hai	3	Investments accounted for using equity method-credit	(553,341)	-	(4)%
5	D-Link Europe	D-Link Deutschland	3	Investments accounted for using equity method	179,768	-	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.

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	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 %	1,339,212	(33,908)	(33,908)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	216,354	283,866	5,736,000	100.00 %	283,455	2,401	2,401	
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 %	2,129,011	199,800	75,773	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 %	(569,138)	(56,592)	(56,592)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,534	1,406	1,406	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 %	14,821	(104)	(104)	100% shares owned by D-Link Corporation and D-Link Sudamerica S.A.
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(31,699)	(2,913)	(2,913)	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 %	832,113	59,003	59,003	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 %	135,491	(3,180)	(3,180)	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 %	1,708,808	93,804	93,804	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	(Note 2)	- %	120,050	9,198	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit (loss) of associates accounted for using equity method was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	733,196	80,479	80,479	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(111,929)	(1,010)	(1,010)	
D-Link Corporation	Yeochia	Taiwan	Investment company	122,400	122,400	(Note 2)	100.00 %	268,757	566	566	
D-Link Corporation	Yeomao	Taiwan	Investment company	70,052	70,052	10,220,271	100.00 %	124,864	76	76	
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	63,057	58	58	
D-Link Corporation	Cameo	Taiwan	Manufacturing and sell computer networks system equipment and its components and related technology research and development	1,102,479	-	137,532,993	41.58 %	1,016,216	(407,979)	(181,795)	D-Link Corporation originally held 17.35% shares and accounted for financial assets at fair value through other comprehensive income. The Company increased investments on February 17, 2021 to hold 41.58% and accounted for investments accounted for using equity methods. (Note 1)
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	(Note 2)	100.00 %	(110,605)	(960)	(960)	
D-Link Trade	T-COM LLC	Russia	Marketing and after sales service in Russia	12,485	-	(Note 2)	40.00 %	11,612	(3,282)	(1,397)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	22	22	1,000	0.10 %	19	(3,180)	-	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 %	29,426	59,003	-	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 %	(29,751)	(4,984)	(4,984)	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	(Note 2)	100.00 %	(446)	116	116	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	696,508	(10,645)	(10,645)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,231	247	247	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service	3,574	3,574	1,000	100.00 %	3,931	612	612	
D-Link Holding	D-Link Europe	UK	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,202,127	28,614	28,614	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(8,267)	199,800	-	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 %	4,601	(30)	(30)	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	876,900	63,289	63,289	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(536,018)	963	963	
D-Link Holding	D-Link Systems	USA	Marketing and after sales service in USA	49,320	49,320	750,000	1.56 %	41,799	(33,908)	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after sales service	-	68,566	-	100.00 %	-	-	-	In liquidation process
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	150,425	284	284	
D-Link Holding	MiiiCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	-	814	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after sales service in Brazil	-	-	100	- %	-	(2,913)	-	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	- %	-	1,406	-	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 %	859,254	125,352	63,955	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.10 %	13	7,035	1	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamF1 India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	118,056	7,035	7,034	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	2	460	-	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 %	5,556	(430)	(430)	
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after sales service in Ecuador	-	26	-	- %	-	-	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica. Liquidation process was completed in April, 2021.
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after sales service in Guatemala	410	410	99,000	99.00 %	467	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	7,703	460	460	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	- %	6	(104)	-	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 %	110	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	(Note 2)	100.00 %	179,768	9,198	9,198	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	16,355	1,384	1,384	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	60,512	3,993	3,993	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	10,385	4,316	4,316	
D-Link Europe	D-Link (Holdings)Ltd	UK	Investment company	-	-	3	100.00 %	9,160	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	39,023	40,645	40,645	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,363	225	225	
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 %	22,837	1,123	1,123	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	6,299	472	472	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	3,566	248	248	
D-Link (Holdings)Ltd	D-Link UK	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	9,160	-	-	
D-Link Mediterraneo SRL	D-LINK ADRIA d.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	(Note 2)	100.00 %	1,183	-	-	
D-Link Middle East FZCO	D LINK NETWORK	Republic of South Africa	Marketing and after sales service in South Africa	361	361	100	100.00 %	665	223	-	
Yeochia and Yeotai	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	181,500	181,500	1,832,446	41.18 %	-	355	-	

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

Note 2: Limited Company

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

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

## (c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	543,387	2	543,387	-	-	543,387	(7,730)	100.00%	(7,730)	(553,341)	-
Netpro Trading	Research, development and trading business	19,506	2	18,182	-	-	18,182	8,693	100.00%	8,693	19,468	-
YouXiang	Technical Service and Import/Export trading business	61,381	3	-	-	-	-	5,927	9.86%	-	3,907	-

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 27.8660, CNY 4.3226 as of September 30, 2021.

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
561,569	561,569	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	Shares	Percentage
Sapido Technology Inc.	65,020,000	9.97 %
Yitongyuan Investment Co., Ltd.	35,680,000	5.47 %

(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 equipment and wireless communication products.

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

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

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

	<b>For the three months ended September 30, 2021</b>				
	<b>American markets</b>	<b>European markets</b>	<b>Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Third-party customers	\$ 400,625	813,967	2,743,115	-	3,957,707
Inter-company	<u>6,035</u>	<u>538</u>	<u>1,064,667</u>	<u>(1,071,240)</u>	<u>-</u>
Total revenue	<u>\$ 406,660</u>	<u>814,505</u>	<u>3,807,782</u>	<u>(1,071,240)</u>	<u>3,957,707</u>
Reportable segment profit (loss)	<u>\$ (58,975)</u>	<u>(6,499)</u>	<u>205,493</u>	<u>(131,192)</u>	<u>8,827</u>
	<b>For the three months ended September 30, 2020</b>				
	<b>American markets</b>	<b>European markets</b>	<b>Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Third-party customers	\$ 640,108	818,071	2,703,309	-	4,161,488
Inter-company	<u>3,604</u>	<u>1,283</u>	<u>839,903</u>	<u>(844,790)</u>	<u>-</u>
Total revenue	<u>\$ 643,712</u>	<u>819,354</u>	<u>3,543,212</u>	<u>(844,790)</u>	<u>4,161,488</u>
Reportable segment profit (loss)	<u>\$ 43,208</u>	<u>25,785</u>	<u>614,935</u>	<u>(338,514)</u>	<u>345,414</u>

**D-LINK CORPORATION AND SUBSIDIARIES**  
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	<b>For the nine months ended September 30, 2021</b>				
	<b>American markets</b>	<b>European markets</b>	<b>Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Third-party customers	\$ 1,203,622	2,608,601	7,412,065	-	11,224,288
Inter-company	<u>17,182</u>	<u>694</u>	<u>3,280,075</u>	<u>(3,297,951)</u>	<u>-</u>
Total revenue	<u>\$ 1,220,804</u>	<u>2,609,295</u>	<u>10,692,140</u>	<u>(3,297,951)</u>	<u>11,224,288</u>
Reportable segment profit (loss)	<u>\$ (76,054)</u>	<u>38,276</u>	<u>476,745</u>	<u>(489,344)</u>	<u>(50,377)</u>
	<b>For the nine months ended September 30, 2020</b>				
	<b>American markets</b>	<b>European markets</b>	<b>Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Third-party customers	\$ 1,679,674	2,145,939	7,198,964	-	11,024,577
Inter-company	<u>10,024</u>	<u>6,260</u>	<u>2,118,710</u>	<u>(2,134,994)</u>	<u>-</u>
Total revenue	<u>\$ 1,689,698</u>	<u>2,152,199</u>	<u>9,317,674</u>	<u>(2,134,994)</u>	<u>11,024,577</u>
Reportable segment profit (loss)	<u>\$ 13,067</u>	<u>(76,759)</u>	<u>889,519</u>	<u>(439,245)</u>	<u>386,582</u>
	<b>American markets</b>	<b>European markets</b>	<b>Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Reportable segment assets:					
September 30, 2021	<u>\$ 2,288,884</u>	<u>2,659,686</u>	<u>22,788,410</u>	<u>(12,717,527)</u>	<u>15,019,453</u>
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>
September 30, 2020	<u>\$ 2,129,623</u>	<u>2,197,698</u>	<u>21,975,256</u>	<u>(11,455,828)</u>	<u>14,846,749</u>