

# D-Link Corporation

— Annual Report 2021 —



**D-Link Annual Report is available at**

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

**Corporate Website**

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

**Shareholder Services Website**

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

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## **Notice to Readers**

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the Shareholders' Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

### I. Spokesperson & Acting Spokesperson Information:

Item	Spokesperson	Acting Spokesperson
Name	CJ Chang	Kelly Hsu
Title	CEO	Special Assistant
Telephone	(02) 6600-0123	(02) 6600-0123
E-mail	ir@dlinkcorp.com	pr@dlinkcorp.com

### II. Headquarters, Branches and Subsidiaries:

Company	Address	Telephone
Headquarters	No.289, Xinhua 3rd Rd., Neihu District, Taipei City, Taiwan, R.O.C.	(02) 6600-0123
Taiwan Branch	4F, No.289, Xinhua 3rd Rd., Neihu District, Taipei City, Taiwan, R.O.C.	(02) 6600-0123

### III. Name, Address, Website, and Telephone of Stock Transfer Agency:

Name: Stock Transfer Agency Unit, Yuanta Securities  
Address: B1, No. 210, Section 3, Chengde Road, Datong Dist., Taipei City 103  
Telephone: (02) 2586-5859  
Website: [www.yuanta.com](http://www.yuanta.com)

### IV. Name of the CPA and CPA Firm Auditing the Financial Statements in the Most Recent Year:

Name: Chiu-Hua Hsieh and Pao-Lian Chou  
CPA Firm: KPMG  
Address: 68F, Taipei 101 Tower, No.7, Section 5, Xinyi Road, Taipei City 110  
Telephone: (02) 8101 6666  
Website: [www.kpmg.com.tw](http://www.kpmg.com.tw)

### V. Overseas Securities Exchange: None

### VI. D-Link Corporation Website

Web: <http://www.dlink.com.tw>  
IR Web: <http://ir.dlink.com.tw>

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# Chapter 1 Letter to Shareholders

Dear Shareholders,

## I. 2021 Business Results

### (I) Implementation Results of the 2021 Business Plan

Over the past year, due to the impact of the COVID-19 pandemic, the shortage of key components, price hikes, the appreciation of the New Taiwan dollar (NTD), and the global shipping congestion, the Company as a whole, including overseas branches, strove to respond to the above challenges in the market based on the experience in 2020. As a result, last year's revenue, denominated in NTD, increased by 2.3% on a year-on-year basis. In addition, affected by the appreciation of NTD against the US dollar (USD), if the revenue is calculated in USD, the annual revenue increased by around 7.96%. In the face of various challenges in 2022, the Company will continue to strengthen management, enhance our core competitiveness, and continue to launch high-quality new products to expand our market share.

### (II) Budget Execution

The Company did not disclose its financial forecast for 2021.

### (III) Financial Income and Expenditure and Analysis of Profitability

With a review of the financial performance in 2021, the global consolidated revenue was NT\$15.525 billion, an increase of 2.3% compared with 2020; the gross profit margin was 27%, a decrease of 4% from 31% in 2020; the net operating profit was NT\$170 million, which was an increase of NT\$90 million from the net operating profit of NT\$80 million in 2020; the net income after tax was NT\$239 million; the earnings per share after tax was NT\$0.38.

### (IV) Research and Development Status

1. **Switch products:** Expanded the centralized network management platform solution, Nuclias Connect, to support a full range of DGS-1210 smart switches. Completed a new generation of advanced network management system, D-View8, and completed the DMS-3130 series of high-end smart Multiple Gigabit layer 3 stackable switches.
2. **Corporate Wireless Base Station and Gateway Products:** Launched a new series of Wi-Fi 6 corporate wireless base stations supporting the network management solution, Nuclias Connect, and Nuclias cloud network management platform and completed the gateway that can be used with Nuclias Connect.
3. **Home Wireless Routers:** Launched home wireless series, EAGLE Pro AI; the product line ranges from Wi-Fi 4, Wi-Fi 5 to Wi-Fi 6, with AI function used to detect the environment and select the best wireless channel to increase its usability.
4. **Broadband Network Products:** Continued to develop optical fiber (GPON) network gateways and developed high-speed optical fiber (XG-PON) products at the same time.
5. **Mobile Broadband Products:** Combined LTE and Wi-Fi 6 to launch a mobile wireless sharing device, which is compatible with the Mesh function of the home wireless series, EAGLE Pro AI. Through Mesh, the range of wireless sharing is extended, allowing us to further upgrade product series to the 5G CPE category.
6. **Digital Camera (IP CAM):** As per the chip supply situation in 2021, we have updated

chips and adjusted and updated functions for the new generation of network services to promote value-added network services.

## **II. Outline of 2021 Business Plan**

### **(I) 2021 Operating Guidelines**

The Company adheres to the following operating guidelines to achieve the established strategic targets.

1. Keep abreast of the trends in the networking market through global bases, formulate innovative product development plans, enhance the partnership with key technology strategic partners, launch high-quality leading products, and continue to develop value-added AI-powered smart functions.
2. Stick with discipline in research and development (R&D) and production, continue to improve processes, optimize the global supply chains, and capitalize on the Group's synergy.
3. Global teamwork: Closely communicate the Company's strategies and policies, build consensus across different cultures and regions, and share local successful experiences.
4. Sustainable operation: Committed to environmental protection, fulfill social responsibilities, and continuously improve corporate governance.

### **(II) Expected Sales Volume and Basis**

#### **1. Switch Products**

In recent years, the global high-end smart switch market has been affected by the stagnant business and a conservative approach in corporate capital expenditure, and the growth in the market has become increasingly saturated. Meanwhile, with the needs for enterprise virtual servers, IT outsourcing, as well as deployment and expansion of enterprise or public wireless network access points (EAP), emerging affordable smart switches and Power over Ethernet (PoE) switches have grown substantially. On the whole, the SMB switch market has shown relatively stable growth in supply and demand because of the operating thresholds for technology, distribution channels, and services. Unmanaged switches declined slightly. The Company will strengthen our sales teams in various regions, actively develop system integration (SI) channels, prioritize smart switches and Nuclias cloud management platform, and launch EAGLE Pro AI Lite/premium/profession total solution for SOHO and SMB in the middle of the year.

#### **2. Wireless Routers**

In addition to the networking companies, mobile phone device manufacturers, online service providers, and local telecom operators have stepped into the home wireless router market. The Wi-Fi 6 product and the home router series, EAGLE Pro AI, with built-in AI function launched by the Company have allowed consumers to better experience the convenience, smoothness, and security of the products. With global distribution channels and software services, the Company can still start to revive the wireless router market despite market competition. Impacted by the ongoing shortage of the core chips for networking products from 2021, it is expected that shipment growth in the first half of the year will still be sluggish. However, as the supply chain is

gradually stabilized and the Company's many new AI routers are successively launched, the growth in the second half of the year can be anticipated.

### **3. Broadband Network Products**

A certain market share of the DSL fixed broadband network has been maintained in the network technology market due to its stable speed and low cost. Although the manufacturers in China have engaged in the low-price competition, the Company has concentrated its products on a few competitive ones to reduce costs, while preparing materials in advance to stabilize the supply. In addition, it maintains the existing customers through customized software and actively explores new sources of customers. Therefore, the future growth can be anticipated. The Company did not engage in the development of GPON until mid-2020 and has collaborated with ODM partners and suppliers to get hold of the sources of products. Moreover, the trend of a switch from xDSL to GPON in the market has begun in 2022. In addition to consolidating our share in the xDSL market, we will officially engage in the competition in the GPON market. In the future, the Company will expand its product series, and enhance the added value of its customized software and hardware, while strengthening its effort in the bidding for telecommunications projects.

### **4. Mobile Broadband Products**

The Company has launched Sub-6 5G indoor routers and 5G mobile routers and the shipment has begun in the European market. In 2022, we will enhance our collaboration with our ODM partners and suppliers to promote 5G products to the global market, including Europe. In addition, we will officially launch an industrial integration solution for CPE (for M2M) with 5G AI in 2022 to cater to the needs for automation upgrade of industrial AI applications, thereby stepping into the high value-added market.

### **5. Digital Cameras and IoT**

In recent years, the competition in the IP CAM market has been fierce, and AI wireless network cameras with AI analysis functions have become the mainstream. Due to the rise of handheld smart devices and various cloud applications, coupled with the increasing demand for security surveillance, the demand in the market still remains. The Company continues to collaborate closely with our ODM partners, adopts strict network security standards, strengthens the integration of AI functions, and enhances the value-added services in the affordable cloud applications, with the aim of reinforcing our brand identity and competitiveness and raising the proportion of service fee income.

## **(III) Important Production and Sales Policies this Year**

Affected by factors, including the COVID-19 pandemic, the US-China trade war, and the commercialization of 5G technology, the technologies in the networking industry have undergone substantial changes. Meanwhile, the production capacity for the main chip of networking equipment is still insufficient. Based on the above factors, the general principles of the Company's sales strategy in 2022 are still "selection" and "concentration", that is, we will adopt the optimized product mix and work with the optimal team of ODM partners and suppliers and adjust our sales strategies flexibly in different regions through our three business divisions in America, Europe, and APAC & Others regions and overseas branches on the front line, to increase our market shares in



the home, commercial, and industrial markets, while strengthening our long-term partnership with mobile network operators.

### **III. Future Development Strategy**

#### **(I) Short-term Development Strategy**

1. Cooperate with high-quality ODMs to establish a controllable supply chain system with close relationships.
2. Reshape D-Link's brand image and enhance brand value from three aspects: specifications and prices, functional performance, and corporate identity.

#### **(II) Mid- and Long-term Development Strategy**

1. Achieve the extreme simplification of the supply and management of networking products with cloud computing as the main pillar.
2. Create stable and advanced networking products with excellent radio frequency and high-speed signal technology.
3. Launch one-stop solutions to cater to the needs of SOHO and SMB enterprises.

### **IV. The Impact of External Competition Environment, Legal environment, and Overall Business Environment**

Competition in the networking market is fierce. Not only are new brands entering the market one after another, but also ODMs are often directly involved in telecom bidding projects. In order to strengthen product competitiveness, the Company has established a Strategic Sourcing Division and an e-commerce department to reduce procurement and operating costs. The Company will master core software and hardware technologies to avoid price competition by differentiating its products. In response to the ongoing China-US trade war, the Company has also reduced the proportion of products manufactured in mainland China to lower the tariff barriers effectively. In addition, in response to rising security awareness in various countries, the Company has been well-prepared for "local manufacturing". The Company has established ESG Committee to create a sustainable business environment from three aspects, namely environment, society, and corporate governance, in addition to striving to make profits in the core business. In terms of the overall business environment, the pandemic will be effectively controlled with the vaccines launched and vaccination administered. However, some countries may begin to adopt a tight currency policy after the pandemic, and there are potential risks in exchange rate and raw material price fluctuations. In addition, due to the ongoing impact of the pandemic this year, many key chips are out of stock, so the product supply chain is facing severe challenges. In response to material shortages and price fluctuations of raw materials, the Company has prepared materials strategically to reduce risks.

In addition, the global sanctions against Russia caused by the Russo-Ukrainian War will inevitably increase the possibility of inflation, which will affect the Company's revenue in the region in the short term, and our management team will continue to pay close attention and respond in real time. Last but not least, we would like to express our sincere appreciation to all shareholders for your support and trust in the Company. Our management team and all employees will strive to create the maximum values for all shareholders.

Chairman: Victor Kuo

President: Mark Chen

## Chapter 2 Company Profile

### I. Date of Incorporation: 1987.06.20

### II. Company History:

Mar 1986	1. D-Link Company Ltd. was established (later changed to D-Link Corporation Ltd.) 2. A subsidiary was established in the US in the same year.
Jun 1987	D-Link Corporation was formally established at the Hsinchu Science Park.
Aug 1989	A subsidiary was established in the UK.
Feb 1990	A subsidiary was established in Canada.
Jun 1990	A subsidiary was established in France.
May 1991	A subsidiary was established in Australia.
Jun 1991	The construction of a plant (3,600 ping) in the Hsinchu Science Park was completed.
Aug 1991	A subsidiary was established in Germany.
Nov 1992	Awarded the first "Outstanding Award for Excellent Industrial Technology Development" from the Ministry of Economic Affairs.
Aug 1994	A subsidiary was established in Singapore.
Oct 1994	The Company was listed in the stock market.
Dec 1994	D-Link Charity Foundation was established.
Jan 1995	A subsidiary was established in India through a joint venture.
Jan 1999	A subsidiary was established in San Diego, Chile, Central and South America
Apr 2001	The subsidiary in India was listed in India's stock market as Taiwan's first company listed in India's stock market.
Sep 2001	A subsidiary was established in Sao Paulo, Brazil.
Jul 2002	1. A subsidiary was established in Russian. 2. A subsidiary was established in the Middle East.
Aug 2002	A subsidiary was established in Shanghai.
Aug 2003	The original OEM/ODM business department, including the Dongguan factory in China, was demerged into Alpha Networks Inc.
May 2004	According to Synergy Research Group's survey, D-Link ranked first in terms of the market share in global consumer network connection products.
Oct 2004	After demerger, D-Link obtained the international quality management system certification of ISO 9001.
Jul 2005	A subsidiary was established in Japan.
Oct 2005	Officially moved into the Neihu Corporate Operational Headquarters building.
Nov 2006	After demerger, D-Link obtained the international environmental management system of ISO14001 again.
Jun 2007	Recognized by Business Week as the 99 <sup>th</sup> largest IT company in the world and the IT company with the 9th best return on investment in the world.
Oct 2007	Surpassed the standards in the industry and won TÜV Rheinland STAR's highest score of five stars for the enterprise quality rating.
Nov 2007	The Chairman Ken Kao was awarded the "Technology and Communication Entrepreneur Award" at the 2017 EY Entrepreneur of the Year Awards
Dec 2007	Led the world and launched green switch of Green Ethernet, and successively launched the "Dlinkgreen", a series of products to implement the Company's vision of corporate sustainability.
Apr 2008	Mr. Ken Kao, the founder and Chairman of the Board, passed away.
Oct 2008	Selected as Taiwan's top 10 international brands by the Bureau of Foreign Trade,

	Ministry of Economic Affairs, for the fifth consecutive year.
Dec 2008	Obtained the information security system certification of ISO 27001.
Nov 2009	<ol style="list-style-type: none"> <li>1. Awarded the Outstanding Innovation Enterprise Award at the 17<sup>th</sup> Industrial Technology Development Award held by the Ministry of Economic Affairs.</li> <li>2. Chairman John Lee was awarded the personal achievement award "R&amp;D Management Innovation Award" at the 17<sup>th</sup> Industrial Technology Development Award held by the Ministry of Economic Affairs.</li> </ol>
Oct 2010	D-Link's network security system was recognized and patented in the UK.
Mar 2011	A subsidiary was established in Korea.
Jul 2011	Awarded the "Top 100 Taiwanese Brands" organized by Bureau of Foreign Trade, Ministry of Economic Affairs, and executed by TAITRA.
Sep 2011	Won the "2011 Taiwan Top 20 International Brands" award organized by the Bureau of Foreign Trade, Ministry of Economic Affairs, executed by TAITRA, and co-organized by Business Next and Interbrand.
Dec 2011	<ol style="list-style-type: none"> <li>1. Led the networking industry as the first player to launch innovative and revolutionary new products of "D-Link Cloud Series," including cloud routing, cloud monitoring, and cloud storage, integrating the concepts of cloud life and the mydlink platform, a pioneering initiative to integrate cloud services for networking products.</li> <li>2. D-Link's 17 products won the 20<sup>th</sup> Taiwan Excellence Awards. (2011 Taiwan Excellence) .</li> </ol>
Jun 2012	<ol style="list-style-type: none"> <li>1. Participated in the World IPV6 Launch Day and enabled the IPV6 network communication protocol of multiple products as a default to accelerate the establishment of IPV6 by corporate users and ISPs</li> <li>2. The innovative technology of "Zero Setting" was launched.</li> </ol>
Sep 2012	Awarded "2012 Top 20 International Brands in Taiwan" organized by the Bureau of International Trade, Ministry of Economic Affairs.
Oct 2012	Awarded "Outstanding Innovation Enterprise Award" at the 2 <sup>nd</sup> National Industrial Innovation Awards launched by the Ministry of Economic Affairs.
Sep 2013	Won first place in the wireless router evaluation conducted by SmallNetBuilder, a well-known network equipment evaluation unit.
Oct 2013	Won the 2013 Japan Good Design Award.
Nov 2013	Won the "2013 Taiwan Top 20 International Brands" award.
May 2014	Launched the first smart socket, DSP-W215, which was equipped with the innovative and revolutionary the cloud service platform (Gu-Ji Cloud) of mydlink™ Home. In the simplest "Plug and Play" method, it realized a smart life for consumers.
Nov 2014	D-Link's 8 products won the 22 <sup>nd</sup> Taiwan Excellence Awards.
Dec 2014	<ol style="list-style-type: none"> <li>1. Awarded the "2014 Taiwan Top 20 International Brands."</li> <li>2. Launched the concept of "GET YOUR HOME TALKING; Smart Home • Internet of Things." With the app of mydlink™ Home as an integrated platform, D-Link launched a series of smart home products, including Wi-Fi network cameras, Wi-Fi smart sockets, and Wi-Fi smart sensors, with the most comprehensive layout in the smart home field in the networking industry.</li> </ol>
Sep 2015	Awarded the "2015 Taiwan Top 20 International Brands" organized by the Industrial Development Bureau, Ministry of Economic Affairs, executed by the Taiwan Institute of Economic Research, and co-organized by Interbrand, a global brand value survey agency.

Oct 2015	<ol style="list-style-type: none"> <li>1. Became the first company in Taiwan to pass the latest version of ISO 9001: 2015/ISO 14001: 2015 certification.</li> <li>2. Led the world by launching the first home-use 180° super wide-angle network cameras: DCS-2630L and DCS-960L.</li> </ol>
Nov 2015	Awarded the 23 <sup>rd</sup> Taiwan Excellence Awards for 8 products.
Jan 2016	Led the industry to launch a full range of smart home products that supported IFTTT, providing a more comprehensive and user-friendly experience to realize a smarter new generation of IoT applications.
Dec 2016	<ol style="list-style-type: none"> <li>1. Awarded the 25<sup>th</sup> Taiwan Excellence Awards for 8 products.</li> <li>2. Cooperated with Microsoft to enter the super Wi-Fi market. The main applications included the improvement of indoor wireless network coverage and relevant IoT applications.</li> </ol>
Sep 2017	Awarded the 26 <sup>th</sup> Taiwan Excellence Awards for its 6 products.
Jan 2018	<ol style="list-style-type: none"> <li>1. Launched the new 11AX router, the new generation of Covr Wi-Fi system, and the new mydlink smart home solution at CES 2018.</li> <li>2. Announced the cooperation with McAfee to launch the DIR-2680 AC2600 wireless router, which provided comprehensive protection of home networking devices at CES 2018.</li> </ol>
Feb 2018	<ol style="list-style-type: none"> <li>1. At the 2018 Mobile World Congress, D-Link announced the launch of the cloud network management solution of Nuclias, and three high-end camera models in the mydlink Pro series, which provided full HD, smart image analysis, IP65 waterproof rating, and cloud recording functions.</li> <li>2. At the 2018 Mobile World Congress, D-Link announced the launch of new mobile connection solutions, including Edge as a Service, Connected Transportation, Smart Parking, Smart Retail, and Fixed Mobile Convergence (FMC).</li> </ol>
Jul 2018	Launched the first Open Thread Border Router (OTBR) in the world.
Jan 2019	<ol style="list-style-type: none"> <li>1. Launched McAfee EXO series routers at 2019 CES.</li> <li>2. Launched new smart home product of mydlink and new application functions.</li> <li>3. To usher in the 5G era, D-Link's mobile communication broadband router of DWR-2010 5G won the Innovation Award at CES.</li> <li>4. D-Link showcased the smart home solution of Zigbee.</li> </ol>
Feb 2019	<ol style="list-style-type: none"> <li>1. Launched a new smart city solution at 2019 MWC.</li> <li>2. D-Link cooperated with Microsoft to provide tailor-made smart edge solutions for businesses and cities.</li> <li>3. D-Link announced the launch of Nuclias Connect—enterprise centralized network management solution.</li> <li>4. D-Link expanded Nuclias series products by releasing new wireless access and switches.</li> <li>5. D-Link adopted the MP-TCP technology to launch hybrid VDSL2/LTE home routers.</li> <li>6. D-Link launched the Tolly-certified 5000 series of data center switch.</li> </ol>
Apr 2019	In a survey conducted by 1111 Job Bank, D-Link was selected by office workers as a Happy Enterprise.
Aug 2019	D-Link launched complete industrial-grade Internet solutions at the 2019 International Industrial Automation Exhibition to promote integration of industry and internet
Nov 2019	In response to a new generation of Wi-Fi 6 communications, D-Link's brand new 5G NR wireless routers won the 28 <sup>th</sup> Taiwan Excellence Awards.
Jan 2020	D-Link exhibited its latest technologies and solutions, including 5G, AI, Mesh and

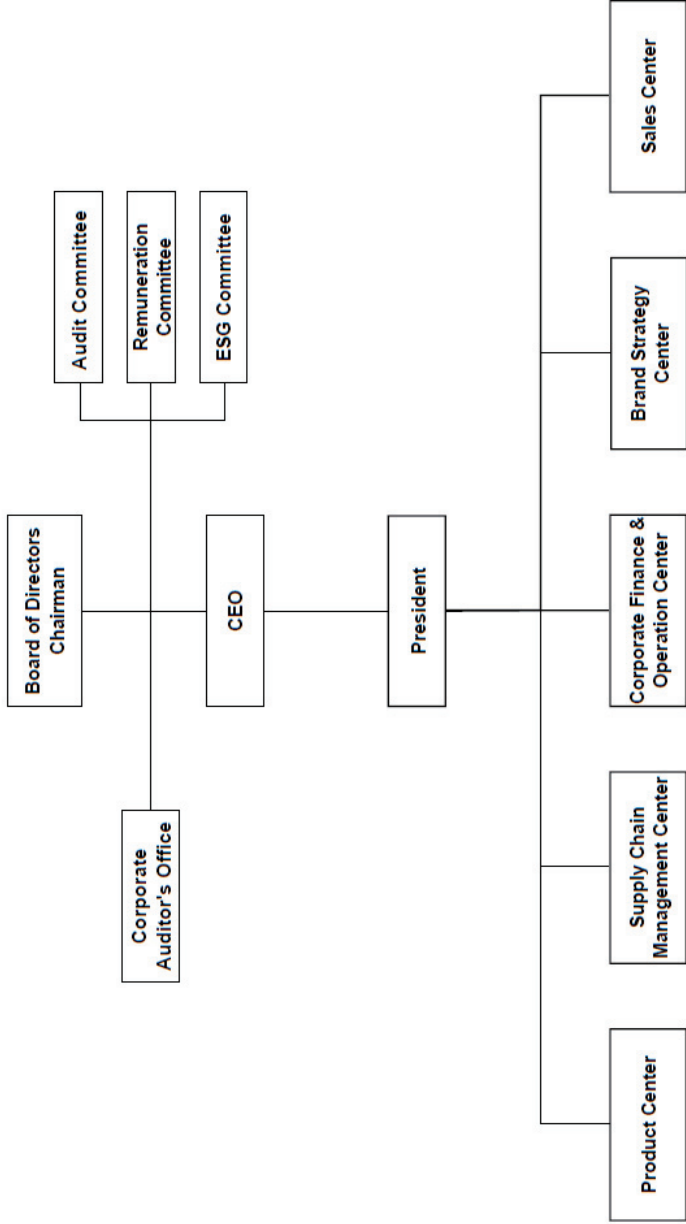
	802.11ax (Wi-Fi 6) at 2020 CES, to provide comprehensive smart wireless networking experience.
Feb 2020	D-Link's DCS-8526LH wireless network camera won the iF award in 2020.
Apr 2020	D-Link officially launched the wireless router series with the 802.11ax wireless standard (Wi-Fi 6) adopted.
Jun 2020	D-Link announced the launch of brand new 5G mobile communication wireless routers management solution.
Jul 2020	<ol style="list-style-type: none"> <li>1. D-Link launched Group Temperature Screening Camera Kit: DCS-9500T, with the ability to scan up to 30 people simultaneously.</li> <li>2. Launched the D-Link Mesh wireless router: COVR-1100 certified by EasyMesh™.</li> </ol>
Sep 2020	D-Link launched brand new application of mydlink for convenient home monitoring.
Oct 2020	D-Link launched a variety of new high-speed smart network management switches, particularly designed for enterprises' flexible deployment and data center servers.
Dec 2020	<ol style="list-style-type: none"> <li>1. DCS-8526LH Full HD rotary wireless network camera and DSP-W320 outdoor wireless smart socket stood out from many products and won the 29th Taiwan Excellence Award again.</li> <li>2. Announced the launch of four new models of Wi-Fi 6 wireless base stations, which can be used with D-Link's Nuclias Connect or Nuclias Cloud.</li> <li>3. Announced that it has officially become an agent for Juniper Networks in Taiwan.</li> </ol>
Jan 2021	<ol style="list-style-type: none"> <li>1. Released the latest series of products at CES 2021, including mydlink home wireless network cameras, Wi-Fi 6 wireless products, 5G wireless mobile products, and 2.5 GbE solutions, to facilitate the digital transformation for smart homes and satisfy users' needs in the post-pandemic era.</li> <li>2. DUB-E250 USB-C 2.5G network interface card and DCH-S1621KT full Wi-Fi coverage smart home water leak detector set won the CES 2021 Innovation Award.</li> <li>3. Announced that it has passed the IEC 62443-4-1 Secure Product Development Lifecycle Requirements certification and that it followed the strictest safety standards from product design, development, testing to introduction in the product life cycle.</li> <li>4. Announced the launch of the new Wi-Fi 6 AX1800 dual-band Mesh wireless router, COVR-X1870.</li> </ol>
Feb 2021	Taiwan Branch, D-Link, announced that it has officially become the agent for the international information security brand, Cyberbit, in Taiwan and launched the Cyberbit Range information security solution to provide the world's leading information security defense technology, thereby cultivating excellent and professional talents against hacking and establishing a strong and resilient information security environment.
Apr 2021	<ol style="list-style-type: none"> <li>1. DCS-8526LH Full HD rotary wireless network camera and DMS-106XT Multi-Gigabit switch won the German Red Dot Design Award.</li> <li>2. DCS-8635LH 2K QHD rotary outdoor wireless network camera won the German Red Dot Design Award and the German iF Product Design Award.</li> <li>3. DCS-8302LH Full HD ultra wide angle wireless IP camera won the German iF Product Design Award.</li> </ol>
Jun 2021	Launched the latest networking technologies at the Mobile World Congress in Barcelona, Spain, including D-Link's latest 5G corporate private network, Nuclias Cloud, Nuclias Connect, and smart home solutions.
Jul 2021	Mainly launched AI wireless network products designed and manufactured in Taiwan at D-Link's global online product launch, including three new models of

	EAGLE PRO AI series wireless routers, namely R15 AX1500 Wi-Fi 6 dual-band wireless router, M15 AX1500 Wi-Fi 6 dual-band wireless router, and E15 AX1500 Wi-Fi 6 wireless extender.
Oct 2021	<ol style="list-style-type: none"> <li>1. Released a new industrial-grade wireless base station dual-band AC1200 Wave 2, a wide-temperature band, and Nuclias Connect, to accelerate digital transformation in the industrial X.0 era.</li> <li>2. DCS-8635LH 2K QHD 4-megapixel rotary outdoor wireless network camera, DMS-106XT Multi-Gigabit multi-speed switch, and DCH-S1621KT full Wi-Fi coverage smart home water leak detector set won the 2021 Good Design Award in Japan.</li> </ol>
Nov 2021	<ol style="list-style-type: none"> <li>1. Launched the world's first DWA-X1850 Wi-Fi 6 USB wireless network interface card.</li> <li>2. DCS-8350LH 2K QHD wireless network camera and DCH-S1621KT full Wi-Fi coverage smart home water leak detector set won the 30<sup>th</sup> Taiwan Excellence Awards.</li> </ol>

# Chapter 3 Corporate Governance Report

## I. Organizational System

### (I) Organization Chart



## (II) Department Functions

Department	Functions
Board of Directors	Decision-making on business plans, earnings distribution, important articles of association and contracts, the examination and approval of budget and final account, the appointment and dismissal of managerial officers or other major matters.
Audit Committee	Assisting the Board of Directors in fulfilling the supervision of the Company's adequate expression in the Company's financial statements, appointment (dismissal) of CPAs and the independence of CPAs, effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, as well as the control and management of the Company's existing or potential risks.
Remuneration Committee	Improving corporate governance and strengthening the remuneration management function of the Board of Directors, assisting in the implementation and assessment of the remuneration paid to the Directors and managerial officers of the Company.
ESG Committee	Regulating D-Link's operation and management, product development, sales, social behavior, and activities and improving the Company's performance in the environmental, social, and governance aspects, thereby achieving the goal of sustainable development.
Corporate Auditor's Office	Evaluating the effectiveness of the Company's internal control system and the deficiencies during its implementation, while providing suggestions for improvement in a timely manner.
Product Center	<ol style="list-style-type: none"> <li>1. Planning and formulating the overall research and development (R&amp;D) strategies for products and technologies.</li> <li>2. Research, planning, design, and specification setting for full range of products.</li> <li>3. Development and design of the service platform as well as planning and management of software project schedules.</li> <li>4. Software specification setting and testing for products; automatic test development and test case setting.</li> <li>5. Product software application systems, development and testing of functions.</li> <li>6. Product software and hardware functions and compatibility verification; providing quick and effective technical support services.</li> <li>7. Integrating the needs across different units and product lines and completing communication and introduction through PLM.</li> <li>8. Managing the hardware and software operations and planning for global information related systems; establishing and implementing information standardization systems in conjunction with the IT/MIS</li> </ol>



Department	Functions
	<p>integrated systems.</p> <p>9. Handling of information security issues.</p>
Supply Chain Management Center	<ol style="list-style-type: none"> <li>1. Management of procurement, price negotiation, delivery, and distribution logistics of products outsourced.</li> <li>2. Supplier management, product supply and demand management, as well as import and export operations.</li> <li>3. Integrating estimates for global procurement needs for products and components, strategic procurement management.</li> <li>4. Establishing a comprehensive product development quality control system, setting mid- and long-term quality objectives and plans, and improving product quality and the Company's brand image.</li> <li>5. Performing regular audits of suppliers' product quality, development, and production capabilities.</li> <li>6. Improving the service quality and accurately understanding the status of product quality through the operation of the global RMA system and the establishment of the global customer service center for Customer Relationship Management (CRM).</li> </ol>
Corporate Finance & Operation Center	<ol style="list-style-type: none"> <li>1. Formulating the Company's wealth management and investment strategies, making effective use of funds, controlling financial risks, to achieve the reasonable return on the Company's overall investments.</li> <li>2. Analyzing the operating performance of each operating units.</li> <li>3. Facilitating the communication between the Company and investors to enhance the transparency of financial information.</li> <li>4. Financial related business, including cash management, financing management, hedging, credit risk management, investment management, and stock affairs.</li> <li>5. Conducting relevant accounting operations of the Head Office and the Taiwan Branch; Coordinating and compiling relevant accounting operations of the branches and subsidiaries around the world.</li> <li>6. Providing various financial and management reports for decision-making.</li> <li>7. Executing human resources-related affairs, including education and training, recruitment and appointment, and salary management.</li> <li>8. Management of corporate legal affairs, business contracts, personal information protection, litigation, intellectual property rights and other legal matters.</li> <li>9. Logistics support for general affairs, property and equipment management, and occupational safety and health management.</li> </ol>
Brand Strategy Center	<ol style="list-style-type: none"> <li>1. Coordinating and planning public relations and corporate communication strategies for the Company's brand and product</li> </ol>

Department	Functions
	<p>images; executing various marketing events.</p> <ol style="list-style-type: none"> <li>2. Formulating global marketing plans, as well as planning and developing marketing materials for global products and solutions in line with product and operational strategies, to ensure the consistency of the Company’s brand image across the world.</li> <li>3. Coordinating and planning global digital marketing strategies and establishing and managing digital marketing media.</li> <li>4. Development and design of user interface.</li> <li>5. Coordinating the functions of product packaging appearance, mechanical design, and visual image.</li> </ol>
Sales Center	<ol style="list-style-type: none"> <li>1. Implementing the guiding principles and operating policies stipulated by the Headquarters for OBU to formulate business strategies, business plans, and risk management policies respectively.</li> <li>2. Implementing the regulations stipulated by the Headquarters on the relevant business practices of each OBU.</li> <li>3. Bring Responsible for each OBU’s performance of various operating indicators.</li> <li>4. Producing technical documents for global products, making it easier for users to understand product features and installation methods to realize a better user experience.</li> <li>5. Reporting the local market demands and situations of each OBU in time and coordinating internal resources of D-Link HQ for enhancing the performance efficiency of the overall Company.</li> </ol>

## II. Information on the Company's Directors, President, Vice Presidents and Managers of All the Company's Divisions and Branches

### (I) Directors

2022.03.28; share

Title	Nationality / Place of Registration	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding When Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other Position Concurrently Held at the Company or Other Companies	Executives, Directors, or Supervisors who are Spouses or Within the Second Degree of Kinship	Remarks
							Shares	%	Shares	%	Shares	%	Shares	%				
Chairman	R.O.C.	Young Syun Investment Co., Ltd	—	2020 Jun 15	3	2020 Jun 15	6,520,000	1.00	5,998,400	1.00	—	—	—	—	—	—	—	—
	R.O.C.	Representative: Victor Kuo	Male 56	2021 Feb 2	2	2021 Feb 2	—	—	—	—	—	—	—	—	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: CEO and President of Amigo Technology, Inc.; President of AXOS Microsystems, Inc.	Note 1	None	Note 2
Director	R.O.C.	Young Syun Investment Co., Ltd	—	2020 Jun 15	3	2020 Jun 15	6,520,000	1.00	5,998,400	1.00	—	—	—	—	—	—	—	—
	R.O.C.	Representative: Joseph Wang	Male 56	2020 Oct 26	3	2020 Oct 26	—	—	—	—	—	—	—	—	Education: Department of Law, National Chung Hsing University Experience: Director of KMC (Kuei Meng) International Inc., Independent Director of Aeon Motor Co., Ltd.	Note 3	None	—
Director	R.O.C.	John Lee	Male 67	2020 Jun 15	3	1993 Jun 21	11,249,744	1.73	6,697,364	1.12	—	—	—	—	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman and CEO of D-Link Corporation, Chairman and CEO of Alpha Networks Inc.	Note 4	None	Note 5
	R.O.C.	Howard Kao	Male 45	2020 Jun 15	3	2020 Jun 15	3,394,283	0.52	3,168,740	0.53	—	—	—	—	Education: San Jose State University, USA Experience: Special Assistant of CEO Office of D-Link Corporation	Note 6	None	—
Director	R.O.C.	Pui Ju Investment Co., Ltd.	—	2020 Jun 15	3	2020 Jun 15	12,489,000	1.92	15,935,120	2.66	—	—	—	—	—	—	—	—
	R.O.C.	Representative: David Tai	Male 54	2020 Jun 15	3	2020 Jun 15	—	—	—	—	—	—	—	—	Education: MIT Sloan School of Management Experience: Partner and Vice President of Madama Capital Management, Acting President of Hep Tech Co., Ltd., Project Manager of Manufacturing Department of Taiwan Semiconductor Manufacturing Co., Ltd., Business Manager of Digital Equipment Corporation, Manager of Investment	Note 7	None	—

	R.O.C.	Pu Ju Investment Co., Ltd.	—	2020 Jun 15	3	2020 Jun 15	12,489,000	1.92	15,939,120	2.66	—	—	—	—	Department of Walden International Taiwan Co., Ltd	—	—	—
Director	R.O.C.	Representative: Alan Yu	Male 63	2020 Jun 19	3	2020 Jun 19	—	—	—	—	—	—	—	—	Education: Graduate Institute of Science Computer Engineering, Santa Clara University California Experience: CEO of Asia Cybermart International Holding Co., Ltd., CTO of Asia Pacific Japan, Hewlett-Packard Company, President of Orinda Networks Nanjing Company, General Manager of Cisco Systems (China) Networking Technology Co. Ltd., Executive Director of Beijing ZNode Technologies Co., Ltd. None	Note 8	—	—
Independent Director	R.O.C.	Richard Chen	Male 58	2020 Jun 15	3	2020 Jun 15	—	—	—	—	—	—	—	—	Education: Bachelor in Accounting, Chinese Culture University Experience: Accounting Manager of DBTel Incorporated, Finance Manager of Tze Hsin Transportation and Terminal Co., Ltd., Partner Accountant of Cheng He CPAs Firm, Accountant of Tre-Ming CPAs Firm, Accountant of Jung-Tsung CPAs Firm, Supervisor of Huang Long Development Co., Ltd. None	Note 9	—	—
Independent Director	R.O.C.	Richard Lee	Male 60	2020 Jun 15	3	2020 Jun 15	—	—	—	—	—	—	—	—	Education: Graduate Institute of Mainland China Studies, National Sun Yat-Sen University Experience: Presiding Judge of Taiwan Taitung District Court, Presiding Judge of Taiwan Kaohsiung District Court, Director of Bank of Kaohsiung Co. Ltd. None	Note 10	—	—
Independent Director	R.O.C.	Chun-Hsiung Chu	Male 58	2021 Jul 05	2	2021 Jul 05	—	—	—	—	—	—	—	—	Education: Graduate Institute of Law, National Chung Hsing University Experience: Independent Director of S-Tech Corp. None	Note 11	—	Note 12

Note 1: Chairman of Amit Wireless Inc., Chief of Strategic Operations, Amigo Technology Inc., Chairman and Representative of Institutional Director, Yeo-Tai Investment Ltd., Chairman and Representative of Institutional Director, Yong Rui Investment Co., Ltd., Representative of Institutional Director, Cameo Communications, Inc., Representative of Institutional Director, D-Link International Pte Ltd., CSO of D-Link Corporation.

Note 2: To be elected as Chairman on 2021.08.06 and be appointed as CSO on 2022.02.22.

Note 3: Chairman of Kings-Asset Management Co., Ltd., Chairman of Taiwan Steel Group United Co., Ltd., Chairman of Gloria Material Technology Corp., Chairman of S-Tech Corp., Chairman of Ho Yang Investment Corp., Chairman of Rong Yang Investment Co., Ltd., Chairman of Na Neng Co., Ltd., Chairman of Jade Colorful Co., Vice Chairman of Chun Zu Machinery Industry Co., Ltd., Independent Director of Huang Long Development Co., Ltd., Representative of Institutional Director of Chun Yu Works & Co., Ltd., Representative of Institutional Director of Taiwan Styrene Monomer Corporation, Representative of Institutional Director of Cameo Communications, Inc., Representative of Institutional

Director of Chun Bang Precision Co., Ltd., Representative of Institutional Director of Chun Yu Bio-Tech Corp., Representative of Institutional Director of Chun Yu Investment Co., Ltd., Representative of institutional director of TSG Sports Marketing Co., Ltd., Director of Soft-World International Corporation, Director of Shanghai Chun Zu Machinery Industry Co., Ltd., Supervisor of Chun Yu (DongGuan) Metal Products Co., Ltd., Supervisor of ShangHai Uchee Hardware Products Co., Ltd., Chairman of Guanzhou Goldway Special Metal Corp., Ltd., Chairman of TianJin Goldway Special Metal Corp., Ltd., Chairman of XiAn Goldway Special Metal Corp., Ltd., Chairman of Zhejiang JiaXing Goldway Special Metal Corp., Ltd., Chairman of Shiang Yang Metal Material Technology Co., Ltd., Chairman of G-Yao Enterprises Ltd., Chairman of All Win Enterprises Ltd., Chairman of Faith Enterprises Ltd., Chairman of Alloy Tool Steel Inc., Chairman of Gloria Material Technology Japan Co., Ltd.

Note 4: Supervisor of Lanmer Electronics Inc.

Note 5: Resigned from the positions of Chairman and CEO and was promoted to Group President of D-Link on 2021.08.06 Board Meeting.

Note 6: Senior Director of Pan-Asia-Pacific Business Division of D-Link Corporation, Supervisor of Pu Ju Investment Co., Ltd., Chairman and Representative of Institutional Director of D-Link (India) Limited, Representative of Institutional Director of D-Link Holding Co. Ltd., Representative of Institutional Director of D-Link Shiang-Hai (Cayman) Inc., Representative of Institutional Director of D-Link (Shiang-Hai) Co., Ltd., Representative of Institutional Director of Netpro Trading (Shiang-Hai) Co., Ltd., Representative of Institutional Director of D-Link Russia Investment Co. Ltd., Representative of Institutional Director of D-Link Japan K.K., Representative of Institutional Director of D-Link Investment Pte. Ltd., Representative of Institutional Director of D-Link Latin-America Company Ltd., Representative of Institutional Director of TeamF1 Networks Private Limited, Representative of Institutional Director of D-Link Korea Ltd., Representative of Institutional Director of D-Link Australia Pty Ltd.

Note 7: Director of Wellhead Biological Technology Corp., Director of Hui-Pen Management Consulting Co., Ltd., Representative of Institutional Director of Paralink ASEAN Management Ltd., Independent Director of Acon Optics Communications Inc., Independent Director of Ways Technical Corp., Ltd., Supervisor of Cywee Inc.

Note 8: Independent Director of Cvilux Corporation.

Note 9: Accountant of TrustWorthy CPAs Firm, Supervisor of Tung Hwei Corp., Independent Director of Generalplus Technology Inc., Independent Director of Radiant Innovation Inc., Independent Director of Advanced Wireless & Antenna Inc.

Note 10: Partner Lawyer of Yuan-Chen & Partners Attorneys-at-Law, Director of Taiwan Styrene Monomer Corporation, Independent Director of Taiwan Tea Corporation, Independent Director of Tating Company, Consultant of Taiwan Medical Association.

Note 11: Lawyer of Cyuun-Ying Law Office, Independent Director of Honey Hope Enterprise Co., Ltd., Independent Director of Gloria Material Technology Corp.

Note 12: To be elected at the Shareholders' Meeting on 2021.07.05.

#### **Annexed Table 1: Major Shareholders of Institutional Shareholders** 2022.03.31

<b>Name of Institutional Shareholders</b>	<b>Major Shareholders</b>	<b>Percentage (%)</b>
Young Syun Investment Co., Ltd.	Taiwan Network Group United Co., Ltd.	100
Pu Ju Investment Co., Ltd.	Lori Hu	99.96
	Howard Kao	0.04

#### **Annexed Table 2: Major Shareholders of the Company's Major Institutional Shareholders** 2022.03.31

<b>Name of Institutional Shareholders</b>	<b>Major Shareholders of Institutions</b>	<b>Percentage (%)</b>
Taiwan Network Group United Co., Ltd.	Yitongyuan Investment Co., Ltd.	100

## 1. Professional Qualifications and Independence Analysis of Directors

Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
Chairman	Victor Kuo	Mr. Victor Kuo graduated from the Graduate Institute of Electrical Engineering, National Taiwan University and founded Amit Wireless Inc. in 1998 to develop wireless IoT products. He once served as the CEO and the president of Amigo Technology Inc. listed on TPEX. He has been in the network communication industry for many years and therefore possesses extensive and complete professional knowledge and experience. He has served as the Representative of the Company's Institutional Director since February 2021 and was promoted to the Chairman in August of the same year.	Mr. Victor Kuo serves as a Director as a Representative of an Institutional Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 and 4 of the "Securities and Exchange Act".	0
Director	Joseph Wang	Mr. Joseph Wang graduated from the Department of Law, National Chung Hsing University. He has practiced as an attorney for more than 30 years. With profound legal expertise, which is one of the necessary specialties for the Board, he helps the Company's Board of Directors make an evaluation before each major decision, thereby reducing our operational risks.	Mr. Joseph Wang serves as a director as a Representative of an Institutional Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 and 4 of the "Securities and Exchange Act".	1

Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
Director	John Lee	Mr. John Lee graduated from the Graduate Institute of Electrical Engineering, National Taiwan University, and founded D-Link with Ken Kao in 1986 with their expertise. Since a demerger of D-Link's ODM/OEM business division in 2003, he has served as the Chairman and CEO of Alpha Networks Inc. for 16 years. With 30 years of experience in the networking industry, he is touted as the "Master of Networking". In August 2021, he was promoted from the Chairman and CEO of the Company to the President of D-Link Group.	Mr. John Lee serves as a natural-person Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 and 4 of the "Securities and Exchange Act".	0
Director	Howard Kao	After graduating from San José State University, Mr. Howard Kao has worked at D-Link for many years. He was once the product manager of the Information Security Product Innovation and R&D Department and the special assistant to the CEO's office. He is currently the senior director of the Pan-Asian Business Department and is familiar with D-Link's business development and operations.	Mr. Howard Kao serves as a natural-person Director. According to the regulations of the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 and 4 of the "Securities and Exchange Act".	0
Director	David Tai	Mr. David Tai graduated from the MIT Sloan School of Management and has worked at major technology companies, including	Mr. David Tai serves as a Director as a Representative of an Institutional Director. According to the regulations of the "Securities	2

Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		TSMC and DEC, with management and practical experience. After 1999, he turned to venture capital and invested in start-up companies in areas across the Taiwan Strait and the U.S. He has practical experience in various fields and multi-faceted insight into the technology industry. With an international perspective, he can give professional advice to the Company from different perspectives.	and Exchange Act”, the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 and 4 of the “Securities and Exchange Act”. In addition, although he serves as a director at several companies concurrently, none of the companies, at which he holds a position concurrently, is a company with direct or indirect relations with the Company. Therefore, the Company is convinced that the positions he holds concurrently will not affect his independence as a Director at D-Link.	
Director	Alan Yu	Mr. Alan Yu graduated Institute of Science Computer Engineering, Santa Clara University California, California, U.S. He once worked at Groupe SEB and successfully designed a one-stop chain platform, incorporating electronic product display, experience, and professional guidance and is specialized in research and development with professionalism in cloud data. He also once served as the president of Cisco China and the president of Nanjing Great Broadband Communication Technology Co., Ltd., with	Mr. Alan Yu serves as a Director as a Representative of an Institutional Director. According to the regulations of the “Securities and Exchange Act”, the Company has obtained a written statement from him and confirmed that there is no violation of Article 26-3, paragraphs 3 and 4 of the “Securities and Exchange Act”. In addition, although he serves as an Independent Director of other TWSE-listed companies concurrently, the number of such companies with a similar business scope is fewer than three, so he	1



Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		extensive experience in operations and management.	meets the Company's independence criteria.	
Independent Director	Richard Chen	Mr. Richard Chen graduated from the Department of Accounting, Chinese Culture University. In addition to passing the Senior Professional and Technical Examination for Certified Public Accountants, he has obtained the Certified Securities Investment Analyst license and the land administration agent license. Therefore, he has met one of the necessary professional qualifications for independent directors and is also the convener of the Company's Audit and ESG Committee, as well as a member of the Remuneration Committee.	Mr. Richard Chen was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	3
Independent Director	Richard Lee	Mr. Richard Lee graduated Institute of Mainland China Studies, National Sun Yat-Sen University. He used to serve as the chief judge and presiding judge at a district court. With extensive experience in court proceedings and legal professionalism, he has met one of the professional qualifications for independent directors, while serving as the convener of the Company's Remuneration Committee, a member of the Audit Committee, and a member of the ESG	Mr. Richard Lee was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Therefore, he can exercise his powers independently and make business decisions by exercising his own	2

Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Title	Name			
		Committee.	judgment objectively.	
Independent Director	Chun-Hsiung Chu	Mr. Chun-Hsiung Chu graduated Institute of Law, National Chung Hsing University. He has practiced as an attorney for more than 30 years. With profound legal expertise, he has met one of the professional qualifications for Independent Directors, while serving as a member of the Company's Audit Committee, a member of the Remuneration Committee, and a member of the ESG Committee.	Mr. Chun-Hsiung Chu was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	2

## 2. Board Member Diversity Policy

- (1) The Company has formulated the "Corporate Governance Best Practice Principles" and stated in Article 20 that the policy of board member diversity shall include but not limited to the following two aspects of standard:
  - A. Basic qualification and value: gender, age, and nationality.
  - B. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.
- (2) The Company has a total of 9 Directors, including 3 Independent Directors (accounting for 33%), with tenure of less than 3 years; Meanwhile, 2 Directors are employees (accounting for 22%). In addition, all Directors have operational judgment, leadership and decision-making abilities; Mr. Richard Chen has professional background in accounting and financial analysis; Mr. Joseph Wang, Mr. Richard Lee and Mr. Chun-Hsiung Chu possess the expertise in legal background and can provide professional advice to the Company from different perspectives.

Management Target	Status of Achievement
At least 2 Directors have relevant expertise in the networking industry	Achieved. Director John Lee and Director Victor Kuo have been in the networking industry for many years.
At least 1 Independent Director has professional or experience in sustainable development	Achieved. Independent Director Chun-Hsiung Chu is currently a member of the Audit Committee of the Neighborhood Fee Committee of Ministry of National Defense's each headquarters, having encouraged and reviewed the promotion of environmental sanitation, sustainable development, and local creation in villages for a long time.

(3) The Company attaches great importance to the diversity of the composition of the directors and thus sets specific targets on the diversity of the board: the target percentage of female directors reaches 10% after the re-election of directors upon the expiration of original directors' tenure in 2023 in order to achieve the policy of gender equality and diversity and continuously improve corporate governance.

(4) The implementation status of Board member diversity in 12<sup>th</sup> session is shown in the table below:

Date: 2021.12.31

Name of Directors	Item	Basic Information					Ability										
		Gender	Employee of the Company	Age			Tenure of Independent Director		Operational Judgement	Accounting and Financial analysis	Management administration	Crisis management	Industrial Knowledge	International market perspective	Leadership	Decision making	
				Under 50 years	51 to 60 years	61 to 70 years	Under 3 years	3 to 9 years									Over 9 years
Victor Kuo	M		✓					✓		✓	✓	✓	✓	✓	✓		
Joseph Wang	M		✓					✓		✓	✓			✓	✓		
John Lee	M	✓		✓				✓		✓	✓	✓	✓	✓	✓		
Howard Kao	M	✓	✓					✓		✓	✓	✓	✓	✓	✓		
David Tai	M		✓					✓	✓	✓	✓	✓	✓	✓	✓		
Alan Yu	M			✓				✓		✓	✓	✓	✓	✓	✓		
Richard Chen	M		✓		✓			✓	✓	✓	✓			✓	✓		
Richard Lee	M		✓		✓			✓		✓	✓			✓	✓		
Chun-Hsiung Chu	M		✓		✓			✓		✓	✓	✓	✓	✓	✓		

## (II) Information Regarding President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

2022.03.28; shares

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Work Experiences	Other Position	Managers Who Are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Group President	R.O.C.	John Lee	Male	Aug 06 2021	6,697,364	1.12	—	—	—	—	<p><b>Education:</b> Graduate Institute of Electrical Engineering, National Taiwan University</p> <p><b>Experience:</b> Chairman and CEO of D-Link Corporation, Chairman and CEO of Alpha Networks Inc.</p>	Supervisor of Lanmer Electronics Inc.	None	None	Note 1	
CSO	R.O.C.	Victor Kuo	Male	Feb 22 2022	—	—	—	—	—	—	<p><b>Education:</b> Graduate Institute of Electrical Engineering, National Taiwan University</p> <p><b>Experience:</b> CEO and President of Amigo Technology, Inc., President of AXUS Microsystems, Inc.</p>	<p>Chairman of Amit Wireless Inc., Chief of Strategic Operations of Amigo Technology Inc., Chairman and Representative of Institutional Director of Yeo-Tai Investment Ltd., Chairman and Representative of Institutional Director of Yong Rui Investment Co., Ltd, Representative of Institutional Director of Cameo Communications, Inc., Representative of Institutional Director of D-Link International Pte Ltd.</p>	None	None	Note 2	
CEO	R.O.C.	CJ Chang	Male	Aug 31 2021	1,306	0.00	13,800	0.00	—	—	<p><b>Education:</b> Institute of Business Management, Senshu University</p> <p><b>Experience:</b> COO of The Network Inc., Executive Assistant of Advantage Century Telecommunication Corporation, President of Advantage Century Telecommunication Corporation, Vice President of Dynalab Inc., Minister of MITAC Japan Corp.</p>	<p>Representative of Institutional Director of D-Link Systems, Inc., Representative of Institutional Director of D-Link Holding Mauritius, Inc., Representative of Institutional Director of D-Link Australia Pty Ltd., Representative of Institutional Director of D-Link Middle-East FZCO, Chairman and Representative of Institutional Director of D-Link Korea Ltd., Chairman and Representative of Institutional Director of D-Link Japan K.K., Chairman and Representative of Institutional Director of D-Link (Shiang-Hai) Co., Ltd., Chairman and Representative of Institutional Director of D-Link (Shiang-Hai) Co., Ltd., Beijing Branch and First Branch, Chairman and</p>	None	None	Note 3	

President	R.O.C.	Mark Chen	Male	Aug 11 2020	-	-	-	-	-	-	Representative of Institutional Director of Netpro Trading (Shiang-Hai) Co., Ltd. and Beijing Branch and Changsha Branch, Chairman.	None
Senior Vice President	R.O.C.	Sara Cheng	Female	Mar 02 2021	-	-	-	-	-	-	Chairman, AXD Collaboration Inc.	None
Vice President	R.O.C.	Rita Huang	Female	Sep 01 2020	-	-	-	-	-	-	Representative of Institutional Director of D-Link (Europe) Ltd., Representative of Institutional Director of D-Link (Magyarország) Kft, Representative of Institutional Director of D-Link s.r.o., Representative of Institutional Director of D-Link (Deutschland) GmbH	None
Vice President	R.O.C.	Kevin Chung	Male	Oct 11 2012	296,751	0.05	-	-	-	-	Chairman of Taiwan Styrene Investment Inc., Director of An Pei Enterprise Co., Ltd.	None
Advisor	R.O.C.	Fred Fong	Male	Jul 06 2020	-	-	-	-	-	-	President of Taiwan Branch, D-Link Corporation	None



- Note 2: To be appointed as CSO on 2022.02.22 Board Meeting.
- Note 3: To be promoted to CEO on 2021.08.31 Board Meeting.
- Note 4: To be appointed as Corporate Governance Officer on 2021.11.05 Board Meeting.
- Note 5: The Vice President, Shanglin Chung, resigned on 2021.08.31.
- Note 6: The Vice President, Louis Huang, resigned on 2021.09.16.
- Note 7: The Vice President, ML Jean, resigned on 2021.09.30.
- Note 8: The Assistant Vice President, Ziva Wu, resigned on 2021.10.15.
- Note 9: GK Lee resigned as the Vice President and transferred to an Advisor of the Company on 2021.10.31.
- Note 10: The Chief Software Officer, Allen Cheng, resigned on 2021.11.02.

### III. Remuneration of Directors, President, and Vice Presidents

#### (I) Directors' Remuneration

2021.12.31: Unit: NTS Thousand

Title	Name	Remuneration						Total Remuneration (A+B+C+D+E+F+G) and After Tax	Remuneration From Other Than Subsidiaries or From the Parent Company				
		Base Compensation (A)		Directors' Compensation (C)		Allowances (D)				Relevant Remuneration Received by Directors Who are Also Employees (E)	Severance Pay (F)	Employee Compensation (G)	Total Remuneration (A+B+C+D+E+F+G) and After Tax
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements						
Chairman	Victor Kuo	2,118	2,118	—	48	2,166	0.91%	—	—	2,166	0.91%	2,166	0.91%
	Young Syun Investment Co., Ltd.	—	—	1,013	1,013	1,013	0.42%	—	—	1,013	0.42%	1,013	0.42%
Institutional Director	Representative: Joseph Wang	120	120	—	42	162	0.07%	—	—	162	0.07%	162	0.07%
	Representative: Steve Lin	10	10	—	0	10	0.00%	2,963	34	3,007	1.26%	3,007	1.26%
Director	John Lee	227	227	—	992	1,267	0.53%	6,340	27	2,703	4.32%	10,337	4.32%
	Howard Kao	120	120	—	54	681	0.28%	1,949	99	346	1.29%	3,075	1.29%
	Pu Ju Investment Co., Ltd.	—	—	1,013	1,013	1,013	0.42%	—	—	1,013	0.42%	1,013	0.42%
Institutional Director	Representative: David Tai	120	120	—	42	162	0.07%	—	—	162	0.07%	162	0.07%
	Representative: Alan Yu	120	120	—	42	162	0.07%	—	—	162	0.07%	162	0.07%
Institutional Director	Chien Chin Investment Co., Ltd. <sup>2</sup>	—	—	317	317	317	0.13%	—	—	317	0.13%	317	0.13%
	Gao Ju Investment Co., Ltd. <sup>2</sup>	—	—	68	68	68	0.03%	—	—	68	0.03%	68	0.03%
Institutional Director	Yun-Wei Investment Co., Ltd. <sup>2</sup>	—	—	385	385	385	0.16%	—	—	385	0.16%	385	0.16%
	Alpha Networks Inc. <sup>2</sup>	—	—	385	385	385	0.16%	—	—	385	0.16%	385	0.16%
Independent Director	Richard Chen	840	840	—	54	894	0.37%	—	—	894	0.37%	894	0.37%



Independent Director	Richard Lee	840	840	—	—	—	54	894	894	—	—	—	—	894	894	—
								0.37%	0.37%					0.37%	0.37%	
Independent Director	Chun-Hsiung Chu <sup>3</sup>	411	411	—	—	—	18	429	429	—	—	—	—	429	429	—
								0.18%	0.18%					0.18%	0.18%	
Independent Director	Shyang-Fong Chung	184	184	—	—	—	12	196	196	—	—	—	—	196	196	—
								0.08%	0.08%					0.08%	0.08%	

**1. Please Describe the Policy, System, Standard, and Structure of the Remuneration Paid to the Independent Directors and Describe the Relevance Between the Remuneration Amount Paid and Factors, such as their Functions, Risks, and Time Commitment.**

In order to improve the remuneration management system of the Directors and functional committee members and provide reasonable remuneration to the members of the Board for their participation in the Company's major decision-making and management, in accordance with Article 24-1 of the Company's "Articles of Incorporation", the Board of Directors is authorized to set the standards of payment in accordance with the remuneration standard of the industry regarding the Directors' salaries and traffic allowance. Independent Directors are paid monthly with remuneration and allowances for attending Board meetings in person.

**2. Except as Disclosed in the Table above, Remuneration to Directors Received for the Service Provided (such as Serving as Non-employee Consultants) to all Companies Listed in the Consolidated Financial Statements in the Most Recent Year: None**

Note1: Young Syn Investment Co., Ltd. reassigned the representative from Steve Lin to Victor Kuo on 2021.02.02.

Note2: The Institutional Director Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc. were dismissed by resolution of the Special Shareholders' Meeting on 2020.06.01.

Note3: Independent Director, Chun-Hsiung Chu be elected at the Shareholders' Meeting on 2021.07.05.

Note4: Independent Director, Shyang-Fong Chung resigned on 2021.03.19.

**※Table of Remuneration Ranges for the Directors**

Range of Remuneration	Name of the Directors					
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	Richard Chen, Richard Lee, Chun-Hsiung Chu, Shyang-Fong Chung, Howard Kao, 2 representatives (Steve Lin and Joseph Wang) of Young Syn Investment Co., Ltd., 2 representatives (David Tai and Alan Yu) of Pu Ju Investment Co., Ltd., Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc.	Richard Chen, Richard Lee, Chun-Hsiung Chu, Shyang-Fong Chung, Howard Kao, 2 representatives (Steve Lin and Joseph Wang) of Young Syn Investment Co., Ltd., 2 representatives (David Tai and Alan Yu) of Pu Ju Investment Co., Ltd., Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc.	Richard Chen, Richard Lee, Chun-Hsiung Chu, Shyang-Fong Chung, representative (Joseph Wang) of Young Syn Investment Co., Ltd., 2 representatives (David Tai and Alan Yu) of Pu Ju Investment Co., Ltd., Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc.	Richard Chen, Richard Lee, Chun-Hsiung Chu, Shyang-Fong Chung, representative (Joseph Wang) of Young Syn Investment Co., Ltd., 2 representatives (David Tai and Alan Yu) of Pu Ju Investment Co., Ltd., Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc.	Richard Chen, Richard Lee, Chun-Hsiung Chu, Shyang-Fong Chung, representative (Joseph Wang) of Young Syn Investment Co., Ltd., 2 representatives (David Tai and Alan Yu) of Pu Ju Investment Co., Ltd., Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc.	Richard Chen, Richard Lee, Chun-Hsiung Chu, Shyang-Fong Chung, representative (Joseph Wang) of Young Syn Investment Co., Ltd., 2 representatives (David Tai and Alan Yu) of Pu Ju Investment Co., Ltd., Chien Chin Investment Co., Ltd., Gao Ju Investment Co., Ltd., Yun-Wei Investment Co., Ltd., Alpha Networks Inc.
NT\$1,000,000 (inclusive) to 2,000,000 (exclusive)	John Lee, Young Syn Investment	John Lee, Young Syn Investment	John Lee, Young Syn Investment	John Lee, Young Syn Investment	John Lee, Young Syn Investment	John Lee, Young Syn Investment

Range of Remuneration	Name of the Directors		
	Total of (A+B+C+D) The Company	All Companies in the Consolidated Financial Statements	Total of (A+B+C+D+E+F+G) All Companies in the Consolidated Financial Statements
	Co., Ltd., Pu Ju Investment Co., Ltd.	Co., Ltd., Pu Ju Investment Co., Ltd.	Pu Ju Investment Co., Ltd.
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Representative (Victor Kuo) of Young Syun Investment Co., Ltd.	Representative (Victor Kuo) of Young Syun Investment Co., Ltd.	Howard Kao, 2 representatives (Victor Kuo and Steve Lin) of Young Syun Investment Co., Ltd.
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	—	—	—
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—	John Lee
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—	—
More than NT\$100,000,000	—	—	—
<b>Total</b>	<b>17</b>	<b>17</b>	<b>17</b>

(II) **Supervisor' Remuneration:** The Company has established the Audit Committee on 2017.04.28.

### (III) Remuneration of the President and Vice Presidents

Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)			Total Remuneration (A+B+C+D) and Ratio to Net Income After Tax (%)		Remuneration from Ventures Other than Subsidiaries or from the Parent Company	
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	Cash	Stock	The Company		All Companies in the Consolidated Financial Statements
Group President	John Lee Promoted on 2021.08.06													
CEO	Cl Chang Promoted on 2021.08.31													
President	Mark Chen													
Senior Vice President	Sara Cheng Appointed on 2021.09.02													
Senior Vice President	Steve Lin Resigned on 2021.05.23													
Vice President	Rita Huang	43,750	45,302	4,958	4,958	14,762	14,762	7,741	0	7,741	0	71,211 29.77%	72,763 30.42%	0
CFO	Joanne Chen													
Vice President	Kevin Chung													
Advisor	Fred Fong Transferred From Senior Vice President to Advisor on 2021.07.01													
Vice President	GK Lee Transferred From Vice President to Advisor on 2021.10.31													
Vice President	Shanglin Chung Resigned on 2021.08.31													
Vice	Louis Huang													

President	Resigned on 2021.09.16																			
Vice President	ML Jean Resigned on 2021.09.30																			
Chief Software Officer	Allen Cheng Resigned on 2021.11.02																			

**Table of Remuneration Ranges for the President and Vice Presidents**

Range of Remuneration	Name of the President and Vice Presidents	
	The Company	All Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Allen Cheng	Allen Cheng
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Sara Cheng, Steve Lin, Shanglin Chung	Sara Cheng, Steve Lin, Shanglin Chung
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	GK Lee, ML Jean, Joanne Chen, Rita Huang, Louis Huang	GK Lee, ML Jean, Joanne Chen, Rita Huang, Louis Huang
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	John Lee, Mark Chen, Kevin Chung, Fred Fong	John Lee, Mark Chen, Kevin Chung, Fred Fong
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	CJ Chang	CJ Chang
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—
More than NT\$100,000,000	—	—
<b>Total</b>	<b>14 individuals</b>	<b>14 individuals</b>

**Managerial Officers Who Distribute Remuneration to Employees and the Status**

Executive Officer	Title	Name	Employee Compensation – in Stock	Employee Compensation – in Cash	Total	Ratio of Total Amount to Net Income (%)
		Group President	John Lee	0	7,544	7,544
CJ Chang						
Mark Chen						
Sara Cheng						
Rita Huang						

	Vice President	Kevin Chung			
	Advisor	Fred Fong			
	CFO	Joanne Chen			
	Accounting Supervisor	Claire Chou			
	Corporate Governance Officer	Wynne Ho			

Note: On 2022.03.29, the Board of Directors resolved 2021 distribution of remuneration to employees was NT\$12,621 thousand.

**(IV) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements in the Most Recent Two Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Link.**

**1. Policies, Standards, Combinations for Remuneration, and the Correlation with Business Operation Performance and Future Risks:**

- (1) The major components of the remuneration of the Directors of the Company are general remuneration and compensation. In accordance with Article 28 of the “Articles of Incorporation” of the Company, the remuneration of the Directors of the Company shall be distributed up to one percent of the profit for the year. The profit for the year shall refer to the profit before tax for the year less the distribution of employees’ remuneration and directors’ remuneration; The remuneration policy of the directors is based on the “Measures for the Management of the Remuneration of Directors and Functional Committees”, “Rules for Performance Evaluation of Board of Directors” and with reference to the payment level of peer companies, the Company’s operating results and the contribution of the Directors to the Company’s operational objectives. Independent Directors do not participate in profit distribution.
- (2) President and Vice President: Remuneration of the Company’s managers, including President and Vice President, is determined in accordance with the Company’s “Performance Evaluation Management Measures”, with reference to the remuneration level of the industry for the position, the scope of responsibilities of the position, the achievement of the manager’s performance and contribution to the Company’s operational objectives. The main components of the manager’s performance targets are operating objectives including revenue and earnings per share after tax, and other strategic objectives such as brand value and corporate image, corporate governance and corporate sustainability, talent retention and development. According to the manager’s attributes, the proportion of business goals ranges from 40% to 80%, and the proportion of other strategic goals ranges from 20% to 60%. The remuneration package comprises of a fixed and variable component, the former is the basic salary of the manager, the latter is mainly bonus and linked to the operating performance of the Company or the center in which it is located. If the performance is more excellent, the proportion of this part relative to the salary will be higher. The aforementioned performance appraisal objectives and remuneration of managers, including the president and vice presidents, are reviewed and evaluated by the Remuneration Committee, and submitted to the Board of Directors for approval before distribution.

- (3) Future risks: The Company will review the remuneration payment system of the directors and managers in a timely manner in accordance with the actual operating conditions and requirements of the relevant laws and regulations, with a view to retaining high quality decision-making and managerial level, and with a view to effectively leading the Company's long-term operating performance, avoiding risks resulting from the manager's pursuit of short-term benefits, so as to strike a balance between sustainable operation and risk control.

**2. Ratio of Directors, President, and Vice Presidents' Total Remuneration to Net Income after Tax in Recent Two Years:**

- (1) Directors: Directors' remuneration shall be distributed in accordance with the Articles of Association of the Company not exceeding one percent of the Company's profit for the year. Directors' remuneration shall be distributed in accordance with the "Measures for the Management of the Remuneration of Directors and Functional Committees", "Rules for Performance Evaluation of Board of Directors" with reference to the remuneration level of the industry, the Company's operational performance and the Directors' contribution to the Company's operational objectives.
- (2) President and Vice President: The remuneration of the managers will be reviewed and paid by the Remuneration Committee and the Board in accordance with the Company's "Performance Evaluation Management Measures" with reference to the remuneration level of the industry for the position, the scope of responsibilities of the position, the achievement of the manager's performance and contribution to the Company's operational objectives.
- (3) Future Risk: the Company will review the remuneration system of directors and managers according to the actual operating conditions and relevant laws and regulations in a timely manner, so as to pursue the balance between the Company's sustainable operation and risk control.

Title	Ratio of Total Remuneration to Net Income After Tax (%)			
	2021		2020	
	The Company (%)	Consolidated Financial Statements (%)	The Company (%)	Consolidated Financial Statements (%)
Directors	4.27	4.27	0.30	0.30
President and Vice Presidents	29.77	30.42	2.72	2.72

## IV. Implementation of Corporate Governance

### (I) Board of Directors

In 2021 (8 meetings of the 12th Board of Directors) and 2022 (2 meetings) as of the publication date of this Annual Report, the Company's Board of Directors held a total of 10 meetings; the attendance of Directors is as follows:

Title	Name	Number of Meetings should Attend (A)	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Young Syun Investment Co., Ltd. Representative: Victor Kuo	10	9	1	90%	Be elected as Chairman on 2021.08.06
Director	Young Syun Investment Co., Ltd. Representative: Joseph Wang	10	9	1	90%	
Director	John Lee	10	9	1	90%	Resigned as Chairman on 2021.08.06
Director	Howard Kao	10	10	0	100%	
Director	Pu Ju Investment Co., Ltd. Representative: David Tai	10	9	1	90%	
Director	Pu Ju Investment Co., Ltd. Representative: Alan Yu	10	8	2	80%	
Independent Director	Richard Chen	10	10	0	100%	
Independent Director	Richard Lee	10	10	0	100%	
Independent Director	Chun-Hsiung Chu	5	5	0	100%	Be elected on 2021.07.05
Independent Director	Shyang-Fong Chung	2	2	0	100%	Resigned on 2021.03.19

#### Other Matters:

#### I. If Any of the Following Circumstances Occur, the Dates, Terms of the Meetings, Contents of Motions, all Independent Directors' Opinions and the Company's Handling of Such Opinions Shall be Specified:

- i. **Items Listed in Article 14-3 of the "Securities and Exchange Act":** The Company has established an Audit Committee, so it is not applicable.
- ii. **In Addition to the Aforementioned Matters, Other Motions Resolved by the Board of Directors About Which Independent Directors Have a Dissenting Opinion or Qualified Opinion, Which Recorded in Minutes or a Written Statement:**

Meeting Date (Term and Session)	Proposal	Independent Directors' Opinions	The Company's Handling of Such Opinions
2021.03.17 (7 <sup>th</sup> meeting of 12 <sup>th</sup> term)	Proposal for cash capital reduction by the Company	Independent Director Shyang-Fong Chung expressed opposition during the resolution as he suggested that the management think carefully	The Company complied with the resolutions of the Board of Directors and disclosed this material information on the MOPS accordingly.



		about the use of funds.	
	Proposal for employees' and directors' remuneration distribution	Independent Director Shyang-Fong Chung recused himself from the voting and expression of opinions.	The Company complied with the resolutions of the Board of Directors and disclosed this material information on the MOPS accordingly.

**II. Director Recusals Due to Conflicts of Interest; Name of Directors, Proposal, Reason for Avoidance, and Participation in Vote or Not Shall be Described:**

Meeting Date (Term and Session)	Proposal	Director Recused	Reason for Recusal	Voting Results
2021.03.17 (7 <sup>th</sup> meeting of 12 <sup>th</sup> term)	Proposal for the Chairman's bonus	John Lee	He is the Chairman.	After the acting chair consulted the attending directors, they agreed to reverse the decision.
	Proposal for removal of the non-compete clause for Directors	John Lee, Joseph Wang, Victor Kuo, David Tai, Howard Kao, Shyang-Fong Chung, Richard Lee, Richard Chen	Hold other positions concurrently at other companies	Each of the directors explained the important contents of their personal interests and recused themselves from the discussion on and resolution of this proposal. After the chair or the acting chair consulted the attending directors, they agreed to approve it without objection.
2021.03.30 (8 <sup>th</sup> meeting of 12 <sup>th</sup> term)	Proposal for removal of the non-compete clause for Directors	John Lee, Joseph Wang, Victor Kuo, David Tai, Howard Kao, Richard Lee, Richard Chen	Hold other positions concurrently at other companies	Each of the directors explained the important contents of their personal interests and recused themselves from the discussion on and resolution of this proposal. After the chair or the acting chair consulted the attending directors, they agreed to approve it without objection.
2021.08.31 (12 <sup>th</sup> meeting of the 12 <sup>th</sup> term)	Proposal for the Directors' remuneration to the new	Victor Kuo	He is the Chairman.	Victor Kuo explained the important contents of his personal interests and

	Chairman Mr. Victor Kuo			recused himself from the discussion on and resolution of this proposal. After the acting chair consulted all attending directors, they agreed to approve it as proposed without objection.
	Proposal for the remuneration to Mr. John Lee as the newly appointed President of the Group	John Lee	Serves as a managerial officer concurrently at the Company	John Lee entrusted director Victor Kuo to attend the meeting, explain the important contents of his personal interests, and present relevant documents on his behalf. After the chair consulted all attending directors, they agreed to approve it as proposed without objection.
2022.02.22 (14 <sup>th</sup> meeting of the 12 <sup>th</sup> term)	Proposal for the appointment of the Company's managerial officer	Victor Kuo	Serves as a managerial officer concurrently at the Company	After the acting chair consulted the attending directors, they agreed to approve it as proposed without objection.
	Proposal for the Company's 2022 performance target plan for managerial officers	Victor Kuo	Serves as a managerial officer concurrently at the Company	After the acting chair consulted the attending directors, they agreed to approve it as proposed without objection.
	Proposal for removal of the non-compete clause for directors	Victor Kuo, Joseph Wang, Howard Kao, David Tai, Alan Yu	Hold other positions concurrently at other companies	Each of the directors explained the important contents of their personal interests and recused themselves from the discussion on and resolution of this proposal. After the chair or the acting chair consulted the attending directors, they agreed to approve it without objection.

### III. Evaluation of the Board of Directors:

The Company carried out the 2021 board performance self-evaluation in accordance with the Company's "Rules for Performance Evaluation of Board of Directors", and reported the evaluation results to the Board of Directors on February 22, 2022 as a basis for review and improvement. The overall average score of the board performance self-evaluation was 4.71 points (out of 5 points), and the overall average score of individual board members' performance self-evaluation was 4.72 points (out of 5 points), indicating that the Board of Directors is functioning well. In addition, we completed the Audit Committee's, Remuneration Committee's, and the ESG Committee's performance self-evaluations, and the evaluation results all reached 4.30 points (out of 5 points), indicating that the Company's functional committees are functioning and operating well. The evaluation scope, method, and content are as follows:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Items
Once a year	2021.01.01   2021.12.31	<ol style="list-style-type: none"> <li>1. Board performance evaluation</li> <li>2. Board members' performance evaluation</li> <li>3. Audit Committee</li> <li>4. Remuneration Committee</li> <li>5. ESG Committee</li> </ol>	Internal self-evaluation	<p>The board performance evaluation covers five major aspects:</p> <ol style="list-style-type: none"> <li>I. Involvement in the Company's operations</li> <li>II. Improvement to the quality of decision-making by the board</li> <li>III. Composition and structure of the Board of Directors</li> <li>IV. Directors' election and continuing education</li> <li>V. Internal control</li> </ol> <p>The board members' performance evaluation covers six major aspects:</p> <ol style="list-style-type: none"> <li>I. Understanding of the Company goals and tasks</li> <li>II. Awareness of directors' responsibilities</li> <li>III. Involvement in the Company's operations</li> <li>IV. Internal relationship management and communication</li> <li>V. Directors' professionalism and continuing education for</li> <li>VI. Internal control</li> </ol> <p>Functional committees' performance evaluation covers:</p> <ol style="list-style-type: none"> <li>I. Involvement in the Company's operations</li> </ol>

				<p>II. Awareness of functional committee members' responsibilities</p> <p>III. Improvement to the quality of decision-making by functional committees</p> <p>IV. Composition of functional committees and selection of members</p> <p>V. Internal control (Audit Committee Only)</p>
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**IV. Measures Taken to Strengthen the Function of the Board (Including Establishing the Audit Committee and Enhancing Information Transparency) and Results Thereof:**

- (I) The Company's Board of Directors approved the establishment of the Remuneration Committee on October 26, 2011, and appointed members of the Remuneration Committee as per Article 3 of the Remuneration Committee Charter. The Board of Directors approved the amendment to the Remuneration Committee Charter on November 5, 2021, to reinforce the functions of the Board of Directors, with the Remuneration Committee established thereunder.
- (II) The Company's Board of Directors has approved the establishment of the Audit Committee on April 28, 2017.
- (III) The Company's directors completed a total of 82 hours of continuous education in 2021.

## (II) Operations of the Audit Committee

The Audit Committee aims to assist the Board of Directors in overseeing the quality and integrity during the Company's implementation of accounting, auditing, and financial reporting processes, as well as financial controls. The Audit Committee's major tasks in 2021 are as follows:

- Reviewed quarterly financial statements
- Formulated or amended the internal control system and relevant important measures
- Assessed the effectiveness of internal control system
- Regularly communicated the audit report results with the Internal Auditor as per the annual audit plan
- Handled significant asset transactions or derivatives trading
- Handled material loans, endorsements, or guarantees to others
- Assessed the audit fees, independence, and suitability of CPAs
- Reviewed investment proposals
- Handled matters involving Directors' interests

In 2021 (6 meetings of the 2nd Audit Committee) and 2022(2 meetings) as of the publication date of this Annual Report, the Company's Audit Committee held a total of 8 meetings; the attendance of Independent Director is as follows:

Title	Name	Number of Meetings Should Attend (A)	Attendance in Person (B)	By Proxy	Attendance Rate (B/A)	Remarks
Independent Director	Richard Chen	8	8	0	100%	Convener
Independent Director	Richard Lee	8	8	0	100%	
Independent Director	Chun-Hsiung Chu	4	4	0	100%	Be elected on 2021.07.05
Independent Director	Shyang-Fong Chung	2	2	0	100%	Resigned on 2021.03.19

### Other Matters:

**I. If Any of the Following Circumstances Occur, the Dates, Terms of the Meetings, Contents of Motions, All Audit Committee' Resolution Results, and the Company's Response to Such Opinions Shall be Specified:**

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

Meeting Date (Term of Meeting)	Proposal	Audit Committee Resolution Results	The Company's Response to the Audit Committee's Opinions
2021.02.02 (The 5 <sup>th</sup> meeting of the 2 <sup>nd</sup> term)	Proposal for participation in the subscription of Cameo Communications, Inc.'s privately placed ordinary shares	All Independent Directors agreed to pass it	Submitted to the Board of Directors for a resolution and approved by all the Directors

		without any opinion.	present.
2021.03.17 (The 6 <sup>th</sup> meeting of the 2 <sup>nd</sup> term)	1. Proposal for the 2020 Internal Control System Statement 2. 2020 Business Report and Financial Statements	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.
	3. Proposal for cash capital reduction	Except for Independent Director Shyang-Fong Chung, all the other members of the committee approved this proposal.	Submitted to the Board of Directors for a resolution and approved by more than half of the Directors present; material information was released as per laws and regulations.
2021.03.30 (The 7 <sup>th</sup> meeting of the 2 <sup>nd</sup> term)	Proposal for the removal of the non-compete for Directors	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.
2021.05.04 (The 8 <sup>th</sup> meeting of the 2 <sup>nd</sup> term)	1. Proposal for the Company's CPA fees for 2021 2. Proposal for appointment of the Company's Corporate Governance Officer 3. Proposal for amendment to the Company's "Authorization Enforcement Rules" 4. Proposal for amendment to the Company's "Corporate Social Responsibility Best Practice Principles" 5. Proposal for formulation of the Company's "Risk Management Policy and Procedures"	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.
2021.08.06 (The 9 <sup>th</sup> meeting of the 2 <sup>nd</sup> term)	1. Proposal for amendment to the Company's "Budget Management Regulations" 2. Proposal for disposal of Yeo-Chia Investment Ltd. and Yeo-Mao Investment Ltd. in the third quarter of 2021	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.
2021.11.05 (The 10 <sup>th</sup> meeting of the 2 <sup>nd</sup> term)	1. Proposal for formulation of the Company's 2022 annual audit plan 2. Proposal for amendment to the Company's "Ethical Corporate Management Best Practice Principles" 3. Proposal for disposal of the securities held by Yeo-Mao Investment Ltd. and transfer	All Independent Directors agreed to pass it without any opinion.	Submitted to the Board of Directors for a resolution and approved by all the Directors present.

	<p>them to Yeo-Tai Investment Ltd. and D-Link Corporation</p> <p>4. Proposal for replacement of the Company's Corporate Governance Officer</p>		
<p>2022.02.22 (The 11<sup>th</sup> meeting of the 2<sup>nd</sup> term)</p>	<p>1. Proposal for the 2021 Internal Control System Statement</p> <p>2. Independence and Suitability Evaluation Report of the CPAs appointed by the Company for 2022</p> <p>3. Proposal for the CPAs' fees for the Company's financial statements and taxation</p> <p>4. Proposal for adjustment to D-Link Group's global investment structure</p> <p>5. Proposal for the removal of the non-compete for Directors</p> <p>6. Proposal for amendment to the Company's "Group-Wide Tax Policy and Management Regulations"</p> <p>7. Proposal for amendment to the Company's "Corporate Social Responsibility Best Practice Principles"</p> <p>8. Proposal for amendment to the "Seal Management Regulations"</p> <p>9. Proposal for amendment to the Company's "Information Security Management Policy"</p>	<p>All Independent Directors agreed to pass it without any opinion.</p>	<p>Submitted to the Board of Directors for a resolution and approved by all the Directors present.</p>
	<p>10. Proposal for amendment to the "Corporate Governance Best Practice Principles"</p>		
<p>2022.03.29 (The 12<sup>th</sup> meeting of the 2<sup>nd</sup> term)</p>	<p>1. 2021 Business Report and Financial Statements</p> <p>2. 2021 statement of earnings distribution.</p> <p>3. Proposal for amendment to the "Articles of Incorporation"</p> <p>4. Proposal for amendment to the "Regulations Governing the Acquisition and Disposal of Assets"</p>	<p>All Independent Directors agreed to pass it without any opinion.</p>	<p>Submitted to the Board of Directors for a resolution and approved by all the Directors present.</p>

**(II) Any Resolution Disapproved by the Audit Committee but Approved by More Than Two-Thirds of All Directors: None**

## II. Incidents Where Independent Directors Must Implement Recusal Due to Conflicts of Interest:

Meeting date (Term of Meeting)	Proposal	Independent Director Recused	Reason for Recusal	Voting Results
2021.03.30 (The 7th meeting of the 2nd term)	Proposal for the removal of the non-compete for Directors	Richard Chen, Richard Lee	Other positions concurrently held at the Company.	After being consulted by the convener this proposal was approved by the members present as proposed without objection.

## III. Communication Among Independent Directors, Internal Auditor, and CPAs (Including Material Matters, Methods, and Results of the Company's Finance and Operations):

- (I) The Company's Internal Auditor regularly reports to the members of the Audit Committee alone on the performance of the Company's annual audit plan as well as improvement and tracking of internal control deficiencies on an annual basis. Meanwhile, the Internal Auditor submits an audit report and defect tracking report for the previous month before the end of each month. In the event of a major abnormal incident, the Internal Auditor will immediately report to the members of the Audit Committee. There was no such special situation in 2021, and the communication between the Company's Audit Committee and the Internal Auditor is in good condition.
- (II) The Company's CPAs report the audit or review results of the quarterly financial statement or and other matters required by law to the Independent Directors alone at the quarterly Audit Committee meeting. In the event of a special circumstance, the CPAs will also report to the Audit Committee members immediately. There was no such special situation in 2021, and the communication between the Company's Audit Committee and the CPAs is in good condition.
- (III) Communication between Independent Directors and the Internal Auditor, and CPAs:

### 1. Communication between Independent Directors and the Internal Auditor:

Date	Session of Meeting	Attendee	Communication Focus	Independent Directors' Suggestions and Results
2021.03.17	Audit Committee (2-6)	<b>Independent Director</b> Richard Chen Richard Lee Shyang-Fong Chung <b>Internal Auditor</b> Richard Yang	1. Report on the implementation of the 2020 fourth quarter audit plan 2. Proposal for the 2020 Internal Control System Statement	1. No opinion; reported to the Board of Directors. 2. Approved as proposed without objection and submitted to the Board of Directors for approval.
2021.05.04	Audit Committee (2-8)	<b>Independent Director</b> Richard Chen Richard Lee <b>Internal Auditor</b> Richard Yang	Report on the implementation of the 2021 first quarter audit plan	Inquired about the relevant details of the report; the Internal Auditor provided additional information; reported to the Board of Directors.



2021.08.06	Audit Committee (2-9)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>Internal Auditor</b> Richard Yang	Report on the implementation of the 2021 second quarter audit plan	Suggestion: Urge the relevant units to take relevant actions as soon as possible. All members were informed of the remaining details and reported to the Board of Directors.
2021.11.05	Audit Committee (2-10)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>Internal Auditor</b> Richard Yang	1. Report on the implementation of the 2021 third quarter audit plan 2. 2022 annual audit plan	1. Suggestion: The awareness of information security should be increased. All members were informed of the remaining details and reported to the Board of Directors. 2. Approved as proposed without objection and submitted to the Board of Directors for approval.
2022.02.22	Audit Committee (2-11)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>Internal Auditor</b> Richard Yang	1. Report on the implementation of the 2021 fourth quarter audit plan 2. 2021 Internal Control System Statement	1. Suggestion: Pay attention to the relevant laws and regulations. All members were informed of the remaining details and reported to the Board of Directors. 2. Approved as proposed without objection and submitted to the Board of Directors for approval.
2022.03.29	Audit Committee (2-12)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>Internal Auditor</b> Richard Yang	1. Report on the implementation of the 2021 fourth quarter audit plan 2. The latest implementation status of the audit and reporting items stipulated by laws and regulations 3. Explain to the Independent Directors the execution and mode of the separate communication meeting	1. Suggestion: it is required to strengthen the inspection of the storage and use of the seal; reported to the Board of Directors. 2. No opinion. 3. Hold a separate communication meeting before the quarterly regular meeting.

## 2. Communication Between Independent Directors and CPAs:

Date	Session of Meeting	Attendee	Communication Focus	Independent Directors' Suggestions and Results
2021.03.17	Audit Committee (2-6)	<b>Independent Director</b> Richard Chen Richard Lee	1. CPAs explained details of the 2020 financial statements audited and	All attendees were informed of the remaining details;

		Shyang-Fong Chung <b>CPAs</b>	<ul style="list-style-type: none"> <li>key audit matters.</li> <li>2. CPAs declared their independence and suitability.</li> <li>3. CPAs discussed and communicated with the questions raised by the attendees.</li> </ul>	submitted to the Audit Committee for discussion and to the Board of Directors for approval.
2021.05.04	Audit Committee (2-8)	<b>Independent Director</b> Richard Chen Richard Lee <b>CPAs</b>	<ul style="list-style-type: none"> <li>1. CPAs explained the key audit matters in the 2021 Q1 financial statements.</li> <li>2. CPAs discussed and communicated with the questions raised by the attendees.</li> </ul>	Informed; reported to the Audit Committee and the Board of Directors.
2021.08.06	Audit Committee (2-9)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>CPAs</b>	<ul style="list-style-type: none"> <li>1. CPAs explained the key audit matters in the 2021 Q2 financial statements.</li> <li>2. CPAs discussed and communicated with the questions raised by the attendees.</li> </ul>	Informed; reported to the Audit Committee and the Board of Directors.
2021.11.05	Audit Committee (2-10)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>CPAs</b>	<ul style="list-style-type: none"> <li>1. CPAs explained the key audit matters in the 2021 Q3 financial statements.</li> <li>2. CPAs discussed and communicated with the questions raised by the attendees.</li> </ul>	Informed; reported to the Audit Committee and the Board of Directors.
2022.03.29	Audit Committee (2-12)	<b>Independent Director</b> Richard Chen Richard Lee Chun-Hsiung Chu <b>CPAs</b>	<ul style="list-style-type: none"> <li>1. CPAs explained details of the 2021 financial statements audited and key audit matters.</li> <li>2. CPAs discussed and communicated with the questions raised by the attendees.</li> </ul>	All attendees were informed of the remaining details; submitted to the Audit Committee for discussion and to the Board of Directors for approval.

**(III) Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”**

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated the “Corporate Governance Best Practice Principles”, which has been disclosed on the Company's website and the MOPS.
II. Shareholding structure & shareholders' rights			
(I) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has appointed a spokesperson and an acting spokesperson, as well as a point of contact for investor relations to handle issues, such as shareholders' suggestions or disputes and regularly report to the Board of Directors on the communication with stakeholders.
(II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company possesses a list of major shareholders and their ultimate owners and regularly declares and reports changes in insiders' shareholdings in accordance with regulations.
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The Company has formulated relevant measures in the internal control system to establish an appropriate risk control and firewall mechanism.
(IV) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		✧ The Company has formulated the “Procedures for Materiality Management and Prevention of Insider Trade” and the “Corporate Governance Best Practice Principles”, which prohibit insiders of the Company from trading securities

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>using undisclosed information in the market and require the Directors to prohibit dealing in securities of the Company during the closed period (30 days before the annual financial report announcement and 15 days before the quarterly financial report announcement).</p> <p>✧ The Company also invited insiders to attend the "Insider Trading Prevention Promotion" held by the Taiwan Stock Exchange in November of 2021 and obtain relevant certificates.</p> <p>✧ On November 22, 2021, the Company conducted a course on "Seminar on Integrity Management and Insider Trading", which was attended by 22 participants, totaling 66 training hours, including the Chairman, the President, and the heads of various units. The attendance rate was 84.62% and the satisfaction was 85 points.</p>	
<p>III. <b>Composition and Responsibilities of the Board of Directors</b></p> <p>(I) Does the Board develop and implement a diversity policy for the composition of its members?</p>	✓	<p>✧ In the "Corporate Governance Best Practice Principles" formulated by the Company, it is clearly stated that the composition of the Board of Directors shall be diversified, and the elected Directors are from different professional backgrounds and fields of work, which can improve the structure of the Board of Directors of the Company.</p> <p>✧ The current Board of the Company comprises 9 Directors with different professional backgrounds, including accountants, lawyers and a number of talents in the industry. There are 3 Independent Directors, accounting for 33.3% of the total number of directors.</p> <p>✧ Every Director has completed a 6-hour course in 2021 and is</p>	None.

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
		<p>encouraged to continue their studies to keep abreast of their knowledge and enhance their decision-making abilities.</p> <p>The Company has established an ESG Committee on February 2, 2021, which is responsible for fulfilling corporate social responsibility and improving corporate governance to achieve the goal of sustainable development.</p>	
(III) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		None.
(III) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓	<p>✧ The Company’s Board of Directors has approved the “Rules for Performance Evaluation of Board of Directors” on October 19, 2020, stipulating that the Board of Directors should perform performance evaluations for the Board of Directors and its members at least once a year, and perform external evaluations at least every three years by an external independent agency or a team of external experts and scholars.</p> <p>✧ The results of the performance evaluation of the Board of Directors and all functional committees in 2021 were reported to the Board of Directors on February 22, 2022.</p> <p>✧ The Company is expected to engage a professional and independent institution to conduct an external performance evaluation on the Board of Directors in 2022.</p>	None.
(IV) Does the company regularly evaluate the independence of CPAs?	✓	<p>The Company regularly evaluates the independence and suitability of CPAs every year and submits the evaluation results to the Audit Committee and the Board of Directors for deliberation and approval. The latest evaluation was approved by the Audit Committee and the Board of Directors on February 22, 2022. The evaluation criteria are as follows:</p> <p>1. As of the last audit, there is no such a situation that CPA has</p>	None.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
			<p>not been replaced for seven years.</p> <ol style="list-style-type: none"> <li>2. The CPA is not involved in material interests with the client.</li> <li>3. Any inappropriate relations with the client are avoided.</li> <li>4. The CPA ensures the honesty, impartiality, and independence of their assistants.</li> <li>5. The CPA avoids auditing the financial statements of the organization(s) where they served in the last two years.</li> <li>6. The CPA avoids their name being used by others.</li> <li>7. The CPA does not hold the shares of the Company and its affiliates.</li> <li>8. The CPA is not involved in loans with the Company and its affiliates.</li> <li>9. The CPA is not involved in joint investment or sharing interests with the Company and its affiliates.</li> <li>10. The CPA does not hold a full-time job with a fixed regular payment at the Company and its affiliates.</li> <li>11. The CPA is not involved in management at the Company and its affiliates.</li> <li>12. The CPA is not concurrently operating other businesses that may cause them to lose their independence.</li> <li>13. The CPA is not a spouse, lineal relative, or direct relative by marriage of any management personnel person at the Company.</li> <li>14. The CPA does not charge any business-related commissions.</li> <li>15. As of today, the CPA has not been punished nor their independence has been undermined.</li> </ol>

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<p>IV. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the Board of Directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?</p>	✓		None.
<p>V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?</p>	✓		None.
		<p>The Company was approved by the Board of Directors on November 5, 2021, and the project manager of the Finance Division, Wynne Ho, was appointed as the head of corporate governance. Her primary responsibilities are to handle matters related to Board of Directors and shareholders' meetings in accordance with the laws, to provide information required by the Directors for the execution of their business, to collect information on the latest regulatory developments in relation to the operation of the Company, to assist the Directors' compliance, to assist the Directors in their appointment and continuous training.</p>	
		<p>The Company has set up a section dedicated to stakeholders on the Company's website for the valuable feedback from customers, employees, shareholders and investors, suppliers, government agencies, and the media, and we regularly report the communication situation and stakeholders' issues of concern to the Board of Directors.</p>	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<b>VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?</b>	✓	The Company has commissioned the Stock Transfer Agency Unit, Yuanta Securities to handle affairs related to the shareholders' meeting.	None.
<b>VII. Information Disclosure</b> (I) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓	The Company has set up a website dedicated to investors ( <a href="http://ir.dlink.com.tw">http://ir.dlink.com.tw</a> ) to disclose relevant information at any time and has publicly announced and declared the Company's overall situation and various financial and business information at the MOPS in accordance with the regulations of the competent authority.	None.
(II) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?	✓	The Company's website is in both Chinese and English versions, the contents of which are updated on a regular basis; the information publicly announced is declared all through the Company's spokesperson system, and the Company has designated personnel to disclose the Company's information on MOPS in accordance with the laws.	None.
(III) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results before the prescribed time limit?	✓	The Company publishes and declares the annual financial report and financial reports for the first, second and third quarters as well as the operating status for each month before the specified deadline as per law.	None.



Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<p><b>VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</b></p>	✓		None.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>clients' integrity records and signs relevant documents with them, and the contracts signed with the transaction counterparties clearly stipulate the relevant integrity clauses.</p> <p>✧ The Company's purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for all directors with an insured amount of US\$10 million, with the insurance period from December 31, 2021, through December 31, 2022, and reported on the insured amount, coverage, and premium rates of directors' liability insurance to the Board of Directors on February 22, 2022.</p>	
<p><b>IX. Describe Improvements Made According to the Corporate Governance Assessment Made in the Latest Fiscal Year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and Provide Priority Improvements and Measures to be Taken for Improvements that Have yet to be Carried Out:</b></p> <p>(I) The Company's Board of Directors, on May 4, 2021, passed a resolution to appoint a Corporate Governance Officer.</p> <p>(II) The Company's 2021 interim financial report was approved by the Board of Directors seven days before the announcement deadline and disclosed to the public on the date it was approved.</p> <p>(III) The Company has included functional committees in the scope of the Board performance evaluation since 2020 and submitted the 2021 Board performance evaluation results (including functional committees) to the Board of Directors on February 22, 2022.</p> <p>(IV) More than half of the Directors and the convener of the Audit Committee attended the Company's 2021 general shareholders' meeting in person.</p> <p>(V) The Company convened two investor conferences in 2021.</p> <p>(VI) The Company has released material information in English simultaneously since September 2021 ahead of the schedule stipulated by the law to enhance the information transparency.</p> <p>(VII) In compliance with Financial Supervisory Commission's regulation, the Company shall continue to reinforce corporate governance and information disclosure.</p>			

**X. The Directors of the Company Have Attended Relevant Training Courses and the 2021 Years of Training for Directors are as Follows:**

Title	Name	Date of Class	Name of Class	Conducting Entity	Course Duration
Chairman	Victor Kuo	2021.08.31	2021 Webinars: Sustainability through ESG	Taipei Exchange	2
		2021.10.18	2021 Webinars: Regulations for Disposal of Stocks for Insider of TPEX-Listed Company or Emerging Stock company	Taipei Exchange	3
		2021.11.05	2021 Webinar: Preventing insider trading	Securities and Futures Institute	3
Director	John Lee	2021.11.03	2021 Webinar: Preventing insider trading	Securities and Futures Institute	3
		2021.11.17	Discussion on Corporate Governance from Actual Cases of Competition for Management Right	Accounting Research and Development Foundation	3
Director	Howard Kao	2021.01.21	New Trend of Green Finance -with green bonds as the core	Taiwan Insurance Institute	3
		2021.01.29	Application of Artificial Intelligence Principles	Securities and Futures Institute	3
Director	Joseph Wang	2021.05.12	Business Sustainability Booster-CSR · ESG and SDGs	Taiwan Corporate Governance Association	3
		2021.08.11	Practical Analysis of The Realization of Corporate Social Responsibility (CSR, ESG) in Corporate Governance Evaluation	Securities and Futures Institute	3
		2021.08.23	Talking about Corporate Governance 3.0 and Directors' Duties and Responsibilities from COVID 19	Taiwan Corporate Governance Association	3
		2021.09.07	Corporate Governance and Securities Regulation	Taiwan Corporate Governance Association	3
Director	David Tai	2021.10.18	2021 Webinars: Regulations for Disposal of Stocks for Insider of TPEX-Listed Company or Emerging Stock company	Taipei Exchange	3
		2021.12.22	Development in The 5G Era: Industrial Upgrading, Business Applications in The Future and The New Normal in The Post-Epidemic Era	Taiwan Corporate Governance Association	3
		2021.12.22	Review The Business Strategy and Corporate Governance of The World's Unsustainable Risks From COVID 19	Taiwan Corporate Governance Association	3
Director	Alan Yu	2021.11.10	TCFD and SASB Emphasize the Link Between ESG Indicators and Corporate Financial Disclosures	Accounting Research and Development Foundation	3
		2021.11.12	2021 Webinar: Preventing insider trading	Securities and Futures Institute	3
		2021.11.17	Discussion on Corporate Governance from Actual Cases of Competition for Management Right	Accounting Research and Development Foundation	3
Independent Director	Richard Chen	2021.08.31	2021 Webinars: Sustainability through ESG	Taipei Exchange	2
		2021.09.01	The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	6
		2021.10.13	2021 Webinars: Regulations for Disposal of Stocks for Insider of TPEX-Listed Company or Emerging Stock company	Securities and Futures Institute	3
Independent Director	Richard Lee	2021.03.23	The Lecture on How to Hold A Good Annual General Meeting	Corporate Operating and Sustainable Development Association	3
		2021.04.20	Green Energy Innovative Business Models for Corporate Governance	Taiwan Academy of Banking and Finance	3
		2021.05.12	Business Sustainability Booster-CSR · ESG and SDGs	Taiwan Corporate Governance Association	3
Independent Director	Chun-Hsiung Chu	2021.08.23	Talking about Corporate Governance 3.0 and Directors' Duties and Responsibilities from COVID 19	Taiwan Corporate Governance Association	3
		2021.08.25	Seminar - Climate Mitigation and Adjustment to Promote Sustainable Competitiveness	Securities and Futures Institute	3
		2021.09.01	Seminar - New Trends in Green Energy Investment-Taiwan Renewable Energy Market and Trends	Securities and Futures Institute	3
		2021.09.22	Seminar - Sharing the Cases of Corporate Hostile Mergers and Acquisitions	Securities and Futures Institute	3

**XI. Succession Planning and Operation of Board Members and Key Management:**

**(I) Succession Planning and Operation of Board Members and Key Management**

1. The structure of the Company's Board of Directors shall be decided in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs. The Company has stipulated in the "Articles of Incorporation" and "Rules for Election of Directors" that the election of Directors shall be based on the candidate nomination system in full compliance with Article 192-1 of the "Company Act". In addition, the "Corporate Governance Best Practice Principles" stipulates that the

composition of the board shall be considered in terms of diversity and that a diversity policy shall be formulated in respect of the operation, operation type and development needs of the Company.

2. The Company has established a database of candidates for directors based on the following criteria to plan for the succession of directors:
  - (1)"Entrepreneurial, responsible, honest and value teamwork", which is in line with the Company's core values and in line with the Company's medium to long-term development strategy.
  - (2)Familiar with the industry to which the Company belongs and has relevant experience in the industry.
  - (3)Its joining will continuously provide the Company with an effective, synergistic, diverse and tailored board with the target percentage of female directors reaches 10%
  - (4)Has professional knowledge and skills required for the operation of the Company, covering corporate strategy, accounting and tax, finance, legal, management and international market perspective.
3. The Company continues to promote the entry of management professionals into the Board of Directors or the boards of overseas subsidiaries, so that they are familiar with the operations of the board and the overseas business of the Group, as well as the industry experience and decision-making ability, so as to form a succession team for the directors.
4. The Company has also set forth the "Rules for Performance Evaluation of Board of Directors" to ensure the effectiveness in the operation of the Board and evaluate the performance of directors by evaluation items of performance evaluation, including the alignment of the goals and missions of the Company, awareness of the duties, participation in the operation, management of internal relationship and communication, professionalism and continuing education, internal control and expression of specific opinion, which will be the future reference in the selection of directors.

#### **(II) Key Management Succession Planning and Operation**

1. The Company regularly promotes internal talents and gives priority to internal promotion for management positions. For the succession planning of key management, in addition to inventory and selection of potential successors, performance appraisal is performed on a regular basis, which is complemented with the guidelines of planning and mentors for individual development, to assist them to effectively enhance their ability to shift and shorten their succession schedule.
2. The Company has established a comprehensive position agent system, arranges key management personnel to perform their duties and increase their experience to strengthen the senior decision-making and management capabilities.
3. The Company arranges the management to attend the board meetings and participate in regular important operating management meetings. It also assigns the management to serve on the boards of overseas subsidiaries to enhance their functions from corporate governance, board operations, corporate operating practices, etc., and participate in the vision and strategic direction of the Group in order to hold important management positions in the future.

## (IV) Organization, Responsibilities, and Operations of the Remuneration Committee

### 1. Information of the Members of Remuneration Committee

Identity (Note 1)	Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name				
Convener/ Independent Director	Richard Lee		Mr. Richard Lee graduated from the Institute of Mainland China Studies, National Sun Yat-Sen University. He used to be the district court chief judge and chief justice. He has extensive experience in court proceedings as a legal specialist. Therefore, he meets one of the professional qualifications for independent directors. Meanwhile, he is the convener of the Company's Remuneration Committee, a member of the Audit Committee and the ESG Committee.	Mr. Richard Lee was elected as an Independent Director by the shareholders' meeting. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange or the Taipei Exchange". It is confirmed that he as an Independent Director can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	3
Independent Director	Richard Chen		Mr. Richard Chen graduated from the Department of Accounting, Chinese Culture University. In addition to passing the Senior Professional and Technical Examination for Certified Public Accountants, he obtained the securities analyst and the land administration agent	Mr. Richard Chen was elected as an Independent Director by the shareholders' meeting. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the	3

		licenses. Therefore, he has met one of the professional qualifications for independent directors and is also the convener of the Company's Audit Committee and the ESG Committee, and a member of the Remuneration Committee.	Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that he as an independent director can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	
Independent Director	Chun-Hsiung Chu	Mr. Chun-Hsiung Chu graduated from the Institute of Law, National Chung Hsing University, and has been an attorney for more than 30 years. He has extensive legal experience as a legal specialist, so he has met one of the professional qualifications for independent directors. He is also a member of the Company's Audit Committee and Remuneration Committee, and a member of the ESG Committee.	Mr. Chun-Hsiung Chu was elected as an Independent Director by the shareholders' meeting. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". It is confirmed that he as an independent director can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.	2
Member	Chien Yang	Dr. Chien Yang graduated from Computer Science, University of Washington. He is an emeritus professor at the National Yang Ming Chiao Tung University. He used to be a professor at	Mr. Chien Yang has extensive academic and career experience. The Company obtained a written statement from him, confirming that he complies with the positive and negative conditions	4

		<p>the Institute of Business and Management and the executive of EMBA, National Chiao Tung University. He specializes in strategic management, technology management, and human resource management, and has met the provisions of Article 5 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.</p>	<p>specified in the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. It is confirmed that he can independently exercise his powers and make decisions, through his professional qualifications and experience, in alignment with the needs of the Remuneration Committee.</p>	
Member	Shu-Fen Wang	<p>Dr. Shu-Fen Wang graduated from the University of Houston in the United States, majoring in financial management, and is currently an associate professor at the Institute of Finance, National Yang Ming Chiao Tung University. She has engaged in education for nearly 30 years. She specializes in corporate value analysis, business merger and acquisition issues, and financial management, and has met the provisions of Article 5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”.</p>	<p>Ms. Shu-Fen Wang has extensive academic and career experience. The Company obtained a written statement from her, confirming that she complies with the positive and negative conditions specified in the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. It is confirmed that she can independently exercise her powers and make decisions, through her professional qualifications and experience, in alignment with the needs of the Remuneration Committee.</p>	2

## 2. Duties of Remuneration Committee

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

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

## 3. Operations of Remuneration Committee

- (1) The Remuneration Committee is composed of 5 members.
- (2) Term of office of the 4<sup>th</sup> Committee: From 2020.07.10 to 2023.06.14, the Remuneration Committee held 5 meetings (A) in the most recent year 2021.03.17, 2021.08.31, 2021.11.05, 2022.02.22 and 2022.03.29 respectively. The attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Independent Director	Richard Lee	5	0	100%	Convener
Independent Director	Richard Chen	5	0	100%	
Independent Director	Chun-Hsiung Chu	4	0	100%	Be elected on 2021.07.05
Independent Director	Shyang-Fong Chung	1	0	100%	Resigned on 2021.03.22
Member	Chien Yang	5	0	100%	
Member	Shu-Fen Wang	4	1	80%	

### Other Matters:

- I. **If the Board of Directors Declines to Adopt or Modifies a Recommendation of the Remuneration Committee, it Should Specify the Date of the Meeting, Session, Content of the Motion, Resolution by the Board of Directors, and the Company's Response to the Remuneration Committee's Opinion (e.g., the Remuneration Passed by the Board of Directors Exceeds the Recommendation of the Remuneration Committee, the Circumstances and Cause for the Difference Shall be Specified):** None.
- II. **Resolutions of the Remuneration Committee Objected to by Members or Expressed Reservations and Recorded or Declared in Writing, the Date of the Meeting, Session, Content of the Motion, all Members' Opinions and the Response to Members' Opinion Should be Specified:** None.

## 4. The Discussion Items and Resolution Results of the Remuneration Committee in the Most Recent Year, and the Company's Handling of



## Members' Opinions:

Remuneration Committee Date and Session	Proposal	Resolution	Company's Response Regarding the Remuneration Committee's Opinions
2021.03.17 (The 5 <sup>th</sup> meeting of the 4 <sup>th</sup> term)	<ol style="list-style-type: none"> <li>1. Proposal for newly appointed Chief Software Officer's 2021 remuneration</li> <li>2. Proposal for the Business President's KPI and remuneration</li> <li>3. Proposal for the President's salary adjustment in 2021</li> <li>4. Proposal for 2020 employees' and Directors' remuneration distribution</li> <li>5. Proposal for the Chairman's bonuses</li> </ol>	Approved by all members present and submitted to the Board of Directors for discussion.	None
2021.08.31 (The 6 <sup>th</sup> meeting of the 4 <sup>th</sup> term)	<ol style="list-style-type: none"> <li>1. Proposal for amendment to the "Management Regulations on the Remuneration of Directors and Functional Committee Members"</li> <li>2. Proposal for remuneration for newly appointed Chairman</li> <li>3. Proposal for remuneration for newly appointed President of the Group</li> <li>4. Proposal for salary adjustment for newly appointed CEO</li> <li>5. Proposal for salary adjustment for managerial officers</li> </ol>	Approved by all members present and submitted to the Board of Directors for discussion.	None
2021.11.05 (The 7 <sup>th</sup> meeting of the 4 <sup>th</sup> term)	<ol style="list-style-type: none"> <li>1. Proposal for amendment to the Company's "Remuneration Committee Charter"</li> <li>2. Proposal for amendment to the Company's "Ethical Corporate Management Best Practice Principles"</li> </ol>	Approved by all members present and submitted to the Board of Directors for discussion.	None
2022.02.22 The 8 <sup>th</sup> meeting of the 4 <sup>th</sup> term	1. Proposal for appointment and remuneration of the Chairman and Chief Strategy Officer	Approved by all members present and submitted to the Board of Directors for	None

Remuneration Committee Date and Session	Proposal	Resolution	Company's Response Regarding the Remuneration Committee's Opinions
	2. Proposal for the 2022 performance target plan for managerial officers 3. Proposal for ratification of the employee remuneration and bonuses to the Company's managerial officers (Assistant Vice Presidents or above) 4. Proposal for amendment to the "Management Regulations on the Remuneration of Directors and Functional Committee Members"	discussion.	
2022.03.29 The 9 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Proposal for 2021 employees' and Directors' remuneration distribution	Approved by all members present and submitted to the Board of Directors for discussion.	None

## (V) Organization, Responsibilities, and Operations of the ESG Committee

### 1. Information on the Members of the ESG Committee

Qualification		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an ESG Committee Member
Identity (Note 1)	Name			
Convener/ Independent Director	Richard Chen	Mr. Richard Chen graduated from the Department of Accounting, Chinese Culture University. In addition to passing the Senior Professional and Technical Examination for Certified Public Accountants, he obtained the securities analyst and the land administration agent licenses. Therefore, he has met one of the professional qualifications for independent directors and is also the convener of the Company's Audit Committee and the ESG Committee, and a member of the Remuneration Committee.	Mr. Richard Chen was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	0
Independent Director	Richard Lee	Mr. Richard Lee graduated Institute of Mainland China Studies, National Sun Yat-Sen University. He used to be the district court chief judge and chief justice. He has extensive experience in court proceedings as a legal specialist. Therefore, he meets one of the professional qualifications for independent directors. Meanwhile, he is the convener of the Company's	Mr. Richard Lee was elected as an Independent Director by the shareholders' meeting. As per the "Securities and Exchange Act", the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public	1

		Remuneration Committee, a member of the Audit Committee and the ESG Committee.	Companies”. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	
Independent Director	Chun-Hsiung Chu	Mr. Chun-Hsiung Chu graduated Institute of Law, National Chung Hsing University. He has practiced as an attorney for more than 30 years with profound legal expertise. He is currently serving as a reviewer of the Good Neighbor Fund Committee of the various headquarters of the Ministry of National Defense. Such funds are used in 1. donations to the community and 2. improvement to projects, including Marine ecological and environmental protection projects and relevant community development projects, and 3. social charity projects, including coastal cleanup and mountain cleanup. In addition, he has long served as an advisory member of the Teacher Appeal and Review Committee at the National Defense University. This committee aims to protect teachers’ right to work. Therefore, Chun-Hsiung Chu as an independent director can provide the Company with professional advice about	Mr. Chun-Hsiung Chu was elected as an Independent Director by the shareholders’ meeting. As per the “Securities and Exchange Act”, the Company has obtained a written statement from him and confirmed that he is not under any circumstances under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Therefore, he can exercise his powers independently and make business decisions by exercising his own judgment objectively.	0

		sustainable development from different perspectives based on his experience as a committee member.		
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## 2. Responsibilities of the ESG Committee

The committee assists the Board of Directors in continuously fulfilling the corporate social responsibility and improving corporate governance in order to achieve sustainable development. Its responsibilities and powers should include the matters below:

- (1) Formulate corporate social responsibility, set the sustainable development direction and goals, and formulate relevant management policies and specific implementation plans.
- (2) Implement tasks related to the Company's ethical management and risk management.
- (3) Track, review, and rectify the implementation and effectiveness of sustainable development and report to the Board of Directors on a regular basis.
- (4) Handle issues and oversee communication plans with various stakeholders, including shareholders, clients, suppliers, employees, government agencies, non-profit organizations, communities, and the media.
- (5) Matters resolved by the Board of Directors to be handled by this committee.

## 3. Operations of the ESG Committee

- (1) The Remuneration Committee is composed of 5 members.
- (2) Term of office of the 1<sup>st</sup> Committee: From 2021.02.02 to 2023.06.14, the ESG Committee held 1 meeting (A) in the most recent year 2021.09.28. The attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Richard Chen	1	0	100%	Convener
Independent Director	Richard Lee	1	0	100%	
Independent Director	Chun-Hsiung Chu	1	0	100%	

## 4. ESG Committee's Important Reports and Resolutions

Date	Session of Meeting	Important Reports and Resolutions	Resolution
2021.09.28	ESG Committee (1-1)	[Reports] 1. Report on the Company's risk management operation 2. Report on the progress of the Company's corporate social responsibility report	No opinion; reported to the Board of Directors.

Date	Session of Meeting	Important Reports and Resolutions	Resolution
		<p>[Discussion]</p> <ol style="list-style-type: none"> <li>1. Proposal for amendment to the Company's "ESG Committee Charter"</li> <li>2. Proposal for formulation of the Company's "Implementation Measures for the Whistleblowing System"</li> <li>3. Proposal for election of the convener of the first term of the ESG Committee</li> </ol>	<p>Approved as proposed without objection and submitted to the Board of Directors for approval.</p>

**(VI) Difference Between “the Promotion of Sustainable Development” and “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”**

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p><b>I. Has the Company established a governance framework of promotion of sustainable development and a dedicated (or concurrent) unit for promoting sustainable development? Has the Board of Directors authorized the senior management to handle it, and the Board of Directors supervised the implementation?</b></p>	<p>✓</p>	<p>◇ The Board of Directors, on February 2, 2021, approved the establishment of an ESG Committee, which is responsible for the formulation and implementation of corporate social responsibility policies, systems, or relevant management guidelines and specific implementation plans. ◇ The Company held the first ESG Committee meeting on September 28, 2021, and the implementation results were reported to the Board of Directors on November 5, 2021.</p>	<p>None.</p>
<p><b>II. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?</b></p>	<p>✓</p>	<p>◇ On February 2, 2021, the Company's Board of Directors passed the resolution to establish a ESG Committee to be responsible for proposing and implementing corporate social responsibility policies, systems or related management policies and specific promotion plans, and reporting to the Board of Directors at least once a year. ◇ On May 4, 2021, the Company's Board of Directors passed the resolution to approve “Risk Management Policies and Procedures”, which requests the ESG Committee to conduct risk assessment on the material topics, such as environment, society, economic and technological innovation, formulate relevant risk management policies, deal with the relevant issues of risk management and control and oversee the overall implementation and coordination of the operations. ◇ The Company held the ESG Committee on September 28,</p>	<p>None.</p>

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		<p>2021, to report D-Link's operation of risk management for the year to the members of the ESG Committee and report to the Board of Directors on November 5, 2021.</p> <p>❖ Risk Mitigation Measures table: Please refer to page 86 of the annual report for details.</p>	
<p><b>III. Environmental issues</b></p> <p>(I) Does the Company establish proper environmental management systems based on the characteristics of the industries?</p>	✓	<p>❖ The Company complies with the requirements of ISO 14001 Environmental Management System and formulates the specifications of environmental policies. We are committed to comply with applicable laws and other requirements, continuously reduce impacts on the environment, promote green products, conserve energy and resources, and prevent environmental pollution. In the spirit of sustainable operation, we will require environmental protection quality, and actively educate employees to implement environmental protection policies, and promptly and properly handle internal and external opinions and reactions on environmental protection.</p> <p>❖ The Company has implemented the ISO14,064-1 Greenhouse Gas Emission Verification Mechanism and set a target of carbon reduction of 2.5% by 2025 on the basis of 2016.</p> <p>❖ The Company created the D-Link Green project to reduce our carbon footprint. We are committed to introducing the most advanced product design thinking, technology, and compliance with relevant international energy regulations, such as the European Union's Energy-related Product (ErP) Ecological Design, to minimize the energy consumption of our products. In terms of raw materials, we use materials that are</p>	None.
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓	<p>❖ The Company created the D-Link Green project to reduce our carbon footprint. We are committed to introducing the most advanced product design thinking, technology, and compliance with relevant international energy regulations, such as the European Union's Energy-related Product (ErP) Ecological Design, to minimize the energy consumption of our products. In terms of raw materials, we use materials that are</p>	None.



Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Abstract Explanation		
		<p>more environmentally friendly and maintain human health and comply with EU RoHS and REACH regulations to reduce the impact on the environment.</p> <p>✧ The Company follows the requirements of ISO 14001 Environmental Management System and sets targets for energy conservation every year. Since most of the energy consumption at D-Link building is from purchased electricity, reduction of electricity consumption at the building has become our direction of target. With 2016 as the base year, we have achieved our target of saving 2.5% of electricity and carbon emission 2.5% by 2021. The energy-saving measures that have been carried out in the past three years are as follows:</p> <ol style="list-style-type: none"> <li>1. In 2018, we installed energy-saving cycle fans at the IT office at 4th floor.</li> <li>2. Replaced the lights in the east front zone at 2nd floor with energy-saving LED panel lights.</li> <li>3. In 2019, energy-saving cycle fans were installed in office areas and conference rooms at the 2nd, 4th and 5th floors, the opening hours of air-conditioning units are adjusted (close the air-conditioning one hour early).</li> <li>4. In 2020, the lighting in public areas and toilets from the 1st to the 6th floors were replaced by LED flat panel.</li> <li>5. In 2021, the lighting in the offices, conference rooms and supervisors’ offices at the 5th and 6th floors of D-Link Taipei Operational Headquarters were replaced by energy-saving LED panel light.</li> </ol> <p>It is expected that LED panel lights at the other floors of</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓	<p>the building will be replaced in 2022 and a 10% carbon reduction target will be achieved in 2026 with 2021 as the base year.</p> <p>✧ In addition to the above-mentioned improvement of facilities in the building, we regularly promote energy conservation among our employees and mark energy conservation at the conference room, so that our employees can develop a good habit of turning off lights and turning off air conditioner. In addition, to save water, water-saving switches have been set up for all toilet taps in the building, so that everyone can cherish water.</p>	None.
		<p>In 2021, the Board of Directors set up ESG Committee to continuously promote corporate social responsibility and improve corporate governance, so as to achieve sustainable operation. The council is responsible for the implementation of risk management policies approved by the board of directors, and Independent Directors are appointed to supervise the operation, and the President, who serves as the convener of risk management policy implementation, deals with issues related to risk management, supervises the overall implementation and coordination of the operation, and reports to the Board of Directors at least once a year. The Company regards climate change as one of the major operational risks. In 2022, the Company will introduce the Task Force on Climate-related Financial Disclosures (TCFD). In the process of identifying risks in operations every year, the Company will also identify the sources of climate change risks and evaluate and implement measures for mitigation or adjustment to respond to the risks.</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons															
	Yes	No																
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓	<p>TCFD Please read 2021 Sustainability Report.</p> <p>◇ The Company has developed a specific energy-saving plan for the future. In 2022, the lighting of D-Link’s operation headquarters in Taipei will be replaced by energy-saving LED lights successively. With 2021 as the base year, it is estimated to save 2.5% of electricity consumption. In the next five years, we will target to reduce the emission of greenhouse gases by 10.0%, water consumption by 2.5% and waste by 2.5%.</p> <p>◇ The following table describes the Company’s greenhouse gas emission, water consumption and total weight of waste:</p> <p><b>GHG emissions (unit: tone-CO<sub>2</sub>e)</b> Based on laws and regulations or the international standard: ISO 14064-1</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope1</td> <td>200.97</td> <td>206.77</td> </tr> <tr> <td>Scope2*</td> <td>1,583.12</td> <td>1,353.39</td> </tr> <tr> <td>Scope1 average per person</td> <td>0.30</td> <td>0.34</td> </tr> <tr> <td>Scope2 average per person</td> <td>2.37</td> <td>2.23</td> </tr> </tbody> </table> <p>*0.509kgCO<sub>2</sub>e/kWh **the range of Scope1 and Scope2 are HQ headquarters building.</p> <p><b>Wastewater discharge (unit: m3)</b></p>	Item	2020	2021	Scope1	200.97	206.77	Scope2*	1,583.12	1,353.39	Scope1 average per person	0.30	0.34	Scope2 average per person	2.37	2.23	None.
Item	2020	2021																
Scope1	200.97	206.77																
Scope2*	1,583.12	1,353.39																
Scope1 average per person	0.30	0.34																
Scope2 average per person	2.37	2.23																

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons												
	Yes	No													
		<p>Compliance with laws and regulations or the international standards: Water Pollution Control Act</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Waste water from living quarters</td> <td>12,369</td> <td>10,404</td> </tr> </tbody> </table> <p><b>Volume of waste emission (unit: metric tons)</b>  Compliance with regulations or international standards: Waste Disposal Act</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>General Household Waste</td> <td>13.19</td> <td>12.189</td> </tr> </tbody> </table>	Item	2020	2021	Waste water from living quarters	12,369	10,404	Item	2020	2021	General Household Waste	13.19	12.189	
Item	2020	2021													
Waste water from living quarters	12,369	10,404													
Item	2020	2021													
General Household Waste	13.19	12.189													
		<p>Management Policies:</p> <ol style="list-style-type: none"> <li>The Company is committed to the disclosure of corporate carbon emissions so as to facilitate a precise understanding of the Company's carbon emissions, and we work with business partners to expand the scope of reduction activities.</li> <li>The Company provides customers and consumers with more diversified low-carbon options to increase information transparency and reduce volumes toward product carbon footprint.</li> <li>In order to implement carbon reduction, the company takes 2016 as the base year and sets the target of achieving carbon emission reduction of 2.5% in 2021 and 10% in 2026 when taking 2021 as the base year. In order</li> </ol>													

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
	Abstract Explanation		
		<p>to make the carbon emission information more transparent, the company commissioned SGS to conduct ISO 14064 greenhouse gas verification in the past two years, and completed the verification on October 12, 2020, and April 22, 2021, respectively, and will continue to carry out ISO 14064 greenhouse gas verification.</p> <p>4. In 2021, the Company fully replaced the energy-saving LED panel light at the 5th and 6th floors of the operating headquarter. A total of 371 lights were replaced at the 6th floor, which is estimated to save 43,001 kWh of electricity each year, accounting for 1.37% of the total annual electricity consumption. A total of 449 lights were replaced at the 5th floor, which is expected to save 55,248 kWh each year, accounting for 1.77% of the total annual electricity consumption.</p> <p>5. The Company has also formulated specific water conservation and waste reduction plans and will aim to reduce water consumption by 2.5% and waste emission by 2.5% in the next five years.</p> <p>◇ Verification status:  The operating headquarter building of the Company completed the GHG inventory in accordance with ISO14064-1:2006 Scope 1 and Scope 2 in 2020 and third-party verification.</p>	
<b>IV. Social issues</b> (I) Does the Company formulate appropriate management policies	✓		None.

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Yes	No							
and procedures according to relevant regulations and the International Bill of Human Rights?		<p>protects human rights, and the Company recognizes and supports the international human rights conventions such as the Universal Declaration of Human Rights (UDHR) and ILO Declaration on Fundamental Principles and Rights at Work, and requires that the operating activities of its cooperative contractors should also eliminate any violation and breach of human rights so that members within and outside the Company can receive fair and respectful treatment.</p> <p>❖ The Company has formulated human rights policies and management plans, which are published on the Company’s website. Every year, the Company reviews whether the policies are in line with the original policies through employee surveys focusing on social material issues.</p> <p>❖ The Company’s human rights management policy and specific plan are as follows:</p> <table border="1"> <thead> <tr> <th>Human Right Management Policy</th> <th>Specific Plan</th> </tr> </thead> <tbody> <tr> <td>Forced labor and child labor are prohibited</td> <td> <ol style="list-style-type: none"> <li>1. The employment process is carried out in accordance with the requirements of the Company.</li> <li>2. Interview with the applicant for his/her willingness to work and shall request the candidate to provide relevant identity documents in order to implement the examination.</li> </ol> </td> </tr> <tr> <td>Assure labor conditions</td> <td> <ol style="list-style-type: none"> <li>1. We conducts a survey of salary levels in the industry each year and conducts</li> </ol> </td> </tr> </tbody> </table>	Human Right Management Policy	Specific Plan	Forced labor and child labor are prohibited	<ol style="list-style-type: none"> <li>1. The employment process is carried out in accordance with the requirements of the Company.</li> <li>2. Interview with the applicant for his/her willingness to work and shall request the candidate to provide relevant identity documents in order to implement the examination.</li> </ol>	Assure labor conditions	<ol style="list-style-type: none"> <li>1. We conducts a survey of salary levels in the industry each year and conducts</li> </ol>	
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Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Abstract Explanation		
		<p>salary review operations based on changes in the external environment, the Company's business operations, and personal performance. In addition to providing salary better than the statutory minimum payment, we further ensure that the salary is in line with or higher than the market level, in order to retain outstanding talents.</p> <p>2. The Company has established attendance management procedures, paid attention to and promoted employee working hours issues to ensure that reliable and detailed records of working hours and overtime are maintained; In case there is a demand for overtime, overtime pay or compensatory leave is provided in accordance with the law to ensure their rights and interests.</p> <p>3. Employees are provided with one and a half hours of flexible working hours, considering personal and family needs.</p> <p>1. We respect the freedom and exercise of the choice of occupation and provide equal opportunities for work without discrimination on grounds of</p>	
		Assure right to work	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Abstract Explanation		
		<p>religion, gender, sexual orientation, marriage, age, etc.</p> <p>2. The work environment is in compliance with the requirements of the laws and regulations to protect the basic rights of employees at work.</p> <p>3. There is no separation of existing jobs through a large number of contractual personnel, dispatch workers and foreign workers.</p> <p>4. In the event of material changes in employer-employee relation, an appropriate notice period and severance payment will be given and relevant supporting documents will be given to ensure their rights and interests, subject to relevant laws and regulations.</p>	
		<p>Assure Workplace Health</p> <p>1. Nurses are regularly employed to provide necessary emergency medical services immediately in case of an emergency.</p> <p>2. More than statutory requirements, health examinations are held every two years to eligible employees with subsidies of not less than 6,000 dollars, and follow-up respondent tracking and counseling measures are</p>	



Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Abstract Explanation		
		<p>carried out for different levels of health examination conditions, and the factors that are harmful to health in the workplace are improved.</p> <p>3. Physicians are stationed at locations for employee's direct consultation every two months.</p> <p>4. Health promotion activities or seminars are organized every month.</p>	
	Elimination of discrimination, bullying and sexual harassment	<p>1. Anti-workplace discrimination, anti-workplace bullying and anti-sexual harassment prevention were conducted during new employee training.</p> <p>2. Standardize relevant content in work rules and complaints and sexual harassment handling methods, and provide diverse and smooth complaint channels.</p>	
	Assure occupational safety	<p>1. Introduced and received ISO 45001:2018 certification.</p> <p>2. In accordance with the Occupational Safety and Health Management Measures, the Company has established a Level 1 management unit responsible for formulating, planning, promoting and supervising the safety and health management</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
			<p>matters, and established an Occupational Safety and Health Committee which holds meetings and exercises its authority in accordance with the law.</p> <p>3. In accordance with the Occupational Safety and Health Education and Training Rules, safety and health education training is regularly provided to employees at least once a quarter for new employees and once a year for existing employees.</p> <p>4. In accordance with the Measures for the Implementation of Monitoring of Work Environment, carbon dioxide and noise in the workplace are regularly monitored on a semi-annual basis, and employees are required to use personal protective equipment when there are dangerous operations to prevent them from being exposed to dangerous factors in the workplace.</p>
(II) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits) and do business performance or results reflect on employee	✓		<p>◇ <b>Employee compensation:</b> The Company provides a reasonable salary conditions for new employees based on the Company's operating abilities and market salary level, and reviews the salary of employees annually with reference to economic trends, industry development, company operating performance, market</p> <p>None.</p>

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
salaries?			<p>salary and individual performance, and makes appropriate adjustments to maintain the overall competitiveness of remuneration.</p> <p>The operating performance of the Company is appropriately reflected in staff remuneration, which is distributed in accordance with the articles of association of the Company based on 1% to 15% of the profit for the year. The Company's employees' compensation for the year 2021 was 5% of the Company's profit.</p> <p>❖ <b>Employee welfare benefits:</b>  In order to improve employees' health and well-being, the Company sets up an employee restaurant, coffee bar, outdoor coffee shop, vending machines, employee lounge and employee fitness center, basketball court, aerobics dance classroom, and various fitness equipment for employees in operating headquarter building.</p> <p>The Company has set up an employee welfare committee to conduct various employee welfare activities. In addition to setting up to 15 social organizations to organize various informative, leisure, sports and recreational activities, the Company also provides staff gathering, wedding cash, maternity allowance, hospitalization subsidies, funeral allowance, birthday gift vouchers, gift vouchers for three major festivals, emergency relief, etc. The welfare fund allocated in year 2021 amounted to over NT\$11 million.</p> <p>❖ <b>Comprehensive Insurance Policies:</b>  In addition to insurance coverage in accordance with government regulations, the Company also provides free</p>

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		<p>group insurance for employees and group insurance subsidy for family members. In response to the epidemic, statutory infectious disease claim is additionally added for all colleagues. Travel insurance and emergency medical insurance coverage are also provided during overseas business trips, so that employees can work hard without worries.</p> <p>❖ <b>Attendance and Leave:</b>  In addition to providing leaves in accordance with the Labor Standards Act, the Company otherwise provides five days’ full-paid sick leave and three days’ full-paid family care leave each year, and allows employees not to attend on make-up workdays on Saturday and Saturday. In recent years, the Company has actively promoted a flexible working hours (1.5 hours each before and after work) to allow employees to have more flexibility in taking care of work and family life. During the year 2021 epidemic period, in order to take into account the health of employees, the Company launched a remote office system to provide employees with various hardware and software equipment for working remotely, reducing the impact of the epidemic on company operations and employee economic support.</p> <p>❖ <b>Workplace Diversity and Equal Opportunity:</b>  1. The Company provides employees with a diverse and inclusive working environment with equal pay for equal work, and has equal opportunities for training, further education, promotion and development, regardless of gender, religion, race, nationality, etc. The Company also</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
		<p>formulates human rights policies and management plans to safeguard the basic human rights of employees.</p> <p>2. The percentage of female employees of the Company is 41%, higher than 36.86% in the industrial sector (according to the 2020 gender analysis data on the website of National Statistics, R.O.C. (Taiwan)), and the percentage of female executives is 50%.</p>	
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓	<p>✧ The Company provides employees with a comfortable and safe office and work environment and complies with occupational safety regulations and high-standard safe working conditions. In addition to regular safety and health education and on-the-job and emergency response education and training, we hold health promotion seminars every two months, health checkups every two years with regular follow-up by occupational doctors and nurses, as well as implement the annual occupational safety and health plan. We are committed to improving our safety and health standards and continue to improve and promote our occupational safety culture to achieve the occupational safety targets.</p> <p>✧ Occupational safety and health performance:</p> <ol style="list-style-type: none"> <li>1. In 2021, there was zero occupational accident, the disabling injury frequency rate (FR) in 2021 was 0 and the disabling injury severity rate (SR) was 0.</li> <li>2. In 2021, there was zero traffic accident, the FR was 1.5, the SR was 86.81, and the total number of lost workdays was 116.</li> <li>3. Regarding the two traffic accidents occurring to and from</li> </ol>	None.

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		<p>work, we actively reviewed the reasons and continued to raise employees' awareness of traffic safety and defensive driving to improve their driving safety.</p> <p>✧ To improve employees' awareness of safety and health in the workplace, we offer education and training to new and in-service employees in accordance with Articles 15 and 17 of the Occupational Safety and Health Education and Training Rules. A total of 57 employees who have worked at the Company for three years and a total of 106 new employees participated and completed the training.</p> <p>✧ The Company, including branches in Taiwan, has passed the certification of ISO 45001 occupational health and safety management system.</p>	
(IV) Does the Company provide its employees with career development and training sessions?	✓	<p>The Company's sustainable development relies on talents' long-term adaptive learning and development. According to employees' different attributes, we plan and arrange on-the-job training at different stages of their career. New employees need to participate in new employee training. In addition, we will arrange internal training courses. To meet each unit's needs for professional skills, we arrange employees to receive relevant training courses at external professional institutions or invite outstanding internal employees to share their work experience as an internal training session, enabling them to pass on their experience but improve our internal training system. Through these channels and methods, employees' professional skills and other competencies can be further developed continuously.</p>	None.

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(V) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		None.
		<p>✧ The Company's design and R&amp;D team follows EU environmental standards, plans for compliance with EU RoHS, RoHS, WEEE, and REACH, and abides by the RoHS' restriction on hazardous substances, and promotes green products and formulates product hazardous substance management mechanism to protect consumers' interests.</p> <p>✧ The Company has introduced BS10012:2017 (PIMS - Personal Information Management System) to regulate all relevant procedures and applicable documents. In addition to complying with the EU GDPR (General Data Protection Regulation), the Company has simultaneously conducted proper identification, assessment and management of personal data through the system. The Company has successfully passed the annual verification of BS10012:2017 in November of 2021.</p> <p>✧ The Company follows relevant regulations and international standards in handling customer health and safety, customer privacy, marketing and labeling of its products and services, and has a service hotline (0800-002-615), online message board and internal processing procedures to handle customer feedback effectively; For products sold to different regions, information in compliance with relevant local regulations and standards is also indicated. In addition to compliance with regulations, customer privacy and rights and interests are also protected by international standards such as ISO/IEC 27001: 2013 Information Security Management System, IEC 62443-4-1: 2018, BS 10012: 2017 Personal Data Protection Management System and TRUSTe.</p>	

Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		None.
		<p>◇ The Company has call centers around the country to provide immediate support and services to local consumers on the first line. In addition, the customer support department at the headquarters is committed to the second line of technical support services, regularly reviewing customer satisfaction performance, and assisting the customer service center in handling product customer complaints and listening to market sales feedback, so as to safeguard customers' rights and interests.</p> <p>◇ Based on the social moral code of promoting the spirit of humanity and practicing human dignity and fulfilling the corporate social responsibility, the Company manages suppliers as follows:</p> <ol style="list-style-type: none"> <li>1. The Company is concerned with the issue of conflict minerals and requires suppliers to sign the Conflict Minerals Declaration to prevent the purchase of minerals from conflict zones.</li> <li>2. The Company's requirements for suppliers' integrity and honesty have been included in the contracts between the parties. The Company may immediately cancel or terminate the contract if any supplier has engaged in any illegal conduct.</li> <li>3. In the procurement contracts, the Company also require suppliers to prohibit the use of child labor. All suppliers have signed the agreements.</li> <li>4. The sustainability management audits (health, safety/environment/labor/suppliers/social ethics) of 13 suppliers were completed in 2021, which accounted for</li> </ol>	



Evaluation Item	Implementation status		Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
			<p>more than 90% of the annual shipments.</p> <p>5. In terms of environmental protection, suppliers are required to comply with the EU regulations on hazardous substances.</p> <p>✧ In addition to providing customers with excellent quality products and services, the Company expects its suppliers to pay attention to the social and environmental values and actively implement the operation mission of “environmental protection, energy conservation and love for the earth”. We regard suppliers as important partners for long-term cooperative development and growth, and uphold the principle of mutual benefit and common prosperity with suppliers, and will continue to work together to promote sustainable management.</p> <p>✧ Under the scope of quality, cost, delivery and service required by supplier management in the past, the Company extended the scope of supply chain management to ESG issues such as environmental protection and social inclusiveness with reference to the requirements of RBA (Responsible Business Alliance), including employee rights and interests, environmental protection, safety and health, ethics and management system, etc., which are incorporated into the criteria for supplier selection and audit, so as to establish risk management projects and identify high-risk suppliers, formulate improvement measures and assist suppliers in continuous improvement based on the audit result. It is expected to improve the effectiveness of sustainable supply chain management, reduce supply chain operational risks,</p>

Evaluation Item	Implementation status		Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓	and establish a partnership for sustainable growth.	None.
VI. Describe the Difference, if any, Between Actual Practice and the Sustainable Development Best Practice Principles, if the Company Has Implemented Such Principles Based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies": The Company has implemented the internal control system and relevant supervision measures in accordance with the spirit of the Sustainable Development Best Practice Principles. No discrepancy is found.		<ul style="list-style-type: none"> <li>◇ The Company's Sustainability report is prepared in accordance with the new GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative.</li> <li>◇ D-Link's 2021 Sustainability Report will be verified by the external party SGS Taiwan Limited as per the GRI Core Option, SASB, and the Type 1 moderate-level assurance of AA1000 ASv3.</li> </ul>	
VII. Other Useful Information for Explaining the Status of Sustainable Development Practices: Please refer to the "Corporate Social Responsibility Section" of the Company's official website ( <a href="http://www.dlinktw.com.tw/about/dlink/">http://www.dlinktw.com.tw/about/dlink/</a> ).			

VIII. Risk Mitigation Measures Table:		Risk Identification	Risk Mitigation Measures in 2021
Environment	GHG Management		Continue to promote the ISO14064-1 greenhouse gas emissions inventory and set a target of 10% reduction of greenhouse gas emissions in 2026 with 2021 as the base year.
	Waste Disposal Management		<ol style="list-style-type: none"> <li>1. Introduce electronic operations in daily operations to reduce paper usage volume.</li> <li>2. Implement and strengthen the promotion of waste separation and charge single-use tableware to encourage employees to prepare their own tableware.</li> <li>3. With 2021 as the base year, the target is to achieve a 2.5% reduction in waste in 2026.</li> </ol> We have continued to manage energy, improve energy efficiency.
	Extreme Climate Risk		
Society	Human Capital Risk Management		<ol style="list-style-type: none"> <li>1. Draw up Talent Training and Development Plan</li> <li>2. Draw up human rights policy and management plan.</li> <li>3. Design competitive remuneration and employee welfare measures.</li> </ol>
	Operational Risk		<ol style="list-style-type: none"> <li>1. Achieve delivery targets and effective inventory management to prevent risks of supply chain instability.</li> <li>2. Comparison between sales results and inventories is reported through regular strategic meetings.</li> </ol>
Economics and Governance	Market Risk		<ol style="list-style-type: none"> <li>1. Effectively the deploy the Group's capital and strengthen its operational capital management, reduce its dependence on bank borrowings and spread its risks to changes in interest rates.</li> <li>2. Set up strict control procedures to control the foreign exchange exposure position, carry out prudent hedging operation and continuously track the movement of profit and loss to avoid exchange rate risk,</li> </ol>
	Reputational Risk		Identify risks and formulate internal and external stakeholder communication strategies to protect the Company's reputation.
	Regulatory Risk		Checking possible risks arising from non-compliance with labor laws, company laws and securities dealing related regulations, import and export regulations, anti-corruption and anti-trust, environmental protection regulations, etc.
Technology Innovation	Geopolitical Risk		<ol style="list-style-type: none"> <li>1. In response to the China-U.S. trade sanctions, the Company has shifted to Group-oriented manufacturing and towards MIT as the primary production direction.</li> <li>2. Collect reports or market surveys to understand and respond to market conditions in advance.</li> </ol>
	Speed of Changes in Technology		<ol style="list-style-type: none"> <li>1. Continue to join the emerging technology alliance in the ICT industry and become a member of the technology alliance.</li> </ol>

	Other	Cybersecurity Risks	2. Through domestic and foreign industry-academic cooperation, we participate in the development of emerging ICT-related technologies.
			Through the specialized unit for information security management, we continue to manage information security risks that may occur in the future, and conduct investigations and drills on information arrangements from time to time.

**(VII) Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”**

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
<p><b>I. Establishment of ethical corporate management policies and programs</b></p> <p>(I) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>	✓		<p>None.</p>
<p>(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business</p>	✓		<p>None.</p>

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies' and Reasons
	Yes	No	
<p>activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p>		<p>gifts, and hospitality or other improper benefits shall be prohibited, as well as relevant response and handling measures for all employees to follow.</p>	
<p>(III) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	✓	<p>The Company specifies, in the "Corporate Governance Best Practice Principles" and the "Code of Conduct", the relevant operating procedures, guidelines for conduct, punishments for violations, and a grievance system and has duly implemented them and reviewed and rectified them in alignment with audit results on a regular basis.</p>	None.
<p><b>II. Fulfill operations integrity policy</b>  (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts?</p>	✓	<p>The Company evaluates both suppliers and customers' integrity records and signs relevant documents with them, and the contracts signed with the transaction counterparties clearly stipulate the relevant integrity clauses.</p>	None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies' and Reasons
	Yes	No	
(II) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		None.
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implemented it?	✓		None.
(IV) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the	✓		None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies' and Reasons
	Yes	No	
<p>audits?</p> <p>(V) Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	✓		<p>None.</p>
			<p>✧ Through education and training, the Company allows all employees to understand our ethical management policy and direction and continues to promote a high-standard business ethics culture in compliance with various laws and regulations:</p> <ol style="list-style-type: none"> <li>1. New employee training: In the new employee education and training courses, each new employee is required to comply with the Company's ethical management principles and ethical conduct regulations. In 2021, a total of 134 new employees received two hours of ethical management education and training, with a total of 268 man-hours.</li> <li>2. External training: A total of eight internal employees applied for external education and training in 2021, and each person received an average of 10.5 hours of education and training related to the accounting system and internal control system, with a total of 84 man-hours.</li> <li>3. Internal training: <ul style="list-style-type: none"> <li>● The Company offered the Seminar on the Rule of Law, Integrity, and Ability in 2021. The trainees included managers at various units, including the Chairman and the President. The number of participants in this course was 45, with a total of 90 man-hours. The attendance was 90% and the satisfaction score was 85.41 points. The Company continued to produce and offer online courses on ethical management in the</li> </ul> </li> </ol>



Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies' and Reasons
	Yes	No	
<b>III. Operation of the whistle-blowing systems</b> (I) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?  (II) Does the Company have in place standard operating procedures for investigating	<input checked="" type="checkbox"/>	<p>second half of 2021, which were included in the training system as required courses.</p> <ul style="list-style-type: none"> <li>● In the second half of 2021, we held a seminar on Introduction to Ethical Management and S&amp;P Global ESG Evaluation, and PwC Taiwan was invited to lecture at the seminar. The number of participants was 22, and the trainees included senior managers and financial and accounting managers, with a total of 44 man-hours. The attendance was 84% and the satisfaction score was 85 points. We will list it as an online required course in the future in alignment with the training system.</li> </ul> <p>❖ We hope that through new employee, external, and internal education and training, D-Link's ethical management policy and direction will be conveyed to all employees, and we will continue to promote a high-standard business ethics culture and comply with various laws and regulations.</p>	None.
	<input checked="" type="checkbox"/>		None.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies' and Reasons
	Yes	No	
accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?			
(III) Does the Company provide proper whistleblower protection?	✓		reports, the subsequent measures to be taken after the investigation is completed, and the relevant confidentiality measures.  The Company's "Implementation Measures for the Whistleblowing System" contain protection measures for whistleblowers, so that they will not be improperly treated due to whistleblowing.
<b>IV. Strengthening information disclosure</b> Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company discloses relevant information and implementation effectiveness of ethical management on the website and the MOPS, so as to enhance the stakeholders' understanding of the Company.  None.
<b>V. If the Company has Established the Ethical Corporate Management Principles Based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", Please Describe Any Discrepancy Between the Policies and their Implementation:</b> The Company has formulated the "Ethical Corporate Management Best Practice Principles", the "Code of Conduct", and the work rules and the overall operation is not significantly different from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".			
<b>VI. Other Important Information to Facilitate a Better Understanding of the Company's Ethical Corporate Management Practices (e.g., Review of and Amend its Policies):</b> (I) The Company's Regulations Governing Procedure for Board of Directors Meetings contain a system for Directors' recusal. Those or juridical persons they represent who have a personal interest in any proposals on the agenda of a Board meeting, which may undermine the Company's interests, may state their opinions and answer inquiries but shall recuse themselves from the discussion and voting and may not exercise their voting rights on behalf of other directors. (II) The Company's the "Procedures for Materiality Management and Prevention of Insider Trade" that directors, managerial officers, and employees shall not disclose material internal information they are aware of to others, nor shall they inquire or collect information unrelated to their personal			

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies' and Reasons
	Yes	No	
<p>duties from those who have knowledge of the Company's.</p> <p>(III) The Company's "Ethical Corporate Management Best Practice Principles" stipulate a policy based on integrity, which helps to establish a corporate culture for sound development, thereby developing a sustainable business environment.</p>		<p><b>Abstract Explanation</b></p>	

**(VIII) For Companies Having Principles and Regulations on Corporate Governance in Place, Access Shall be Disclosed:**

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

**(IX) Other Important Information to Facilitate a Better Understanding of the Company's Corporate Governance Shall be Disclosed All Together:**

The managers of the Company have attended relevant training courses and the 2021 years of training are as follows:

Title	Name	Name of Class	Course Duration
Accounting Supervisor	Claire Chou	Initial Professional development courses for Accounting Officers	30
Acting Accounting Supervisor	Julia Huang	Professional development courses for Accounting Officers	12
Internal Auditor	Richard Yang	Manufacturing Material System Verification Service	6
		Analysis of the latest domestic corporate governance trends and implementation of the control environment	6
Corporate Governance Officer	Wynne Ho	The 17th Corporate Governance Summit Forum - Implementing ESG for Governance and Sustainable Development	6
		2021 Webinar: Preventing insider trading	3

# **(X) The Implementation of the Internal Control System Shall Disclose the Following Items**

## **1. Statement on Internal Control**

D-Link Corporation  
Statement on Internal Control System

Date: 2022.02.22

According to the results of the Company's self-assessment, the Company's statement pertaining to the internal control system in 2021 is as follows:

- I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the aforementioned audit findings, the Company holds that as of December 31, 2021, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the contents above will entail legal liability under Articles 20, 32, 171, and 174 of the "Securities and Exchange Act".
- VII. This Statement has been passed at the Board of Directors meeting on February 22, 2022, with none of the nine attending Directors expressing objections; all Directors affirmed the content of this Statement.

D-Link Corporation  
Chairman: Victor Kuo  
President: Mark Chen

**2. Where CPAs are commissioned to audit the Company's internal control systems, the Audit Report Prepared by the CPAs Shall be Disclosed: None.**

**(XI) For Penalties Imposed Upon the Company and Its Employees in Accordance with the Law or Penalties Imposed by the Company Upon Its Employees for the Violation of the Internal Control System Policy During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report, if the Result of Such Penalties May Have a Significant Impact on the Shareholders' Equity or the Price of Securities, the Contents of the Penalties, Principal Deficiencies, and Improvements Shall Be Specified: None.**

**(XII) Major Resolutions Adopted at the Shareholders' Meetings and the Board of Directors Meeting in the Most Recent Fiscal Year and as of the Printing Date of this Annual Report**

**1. Resolutions Voted on by All Shareholders Present at the Company's General Shareholders' Meeting, and Implementation Thereof:**

Date of meeting: 2021.07.05

Place of meeting: No. 289, Xinhu 3rd Rd., Neihu Dist., Taipei City (The Company's building)

<b>Major Resolutions</b>	<b>Implementation</b>
(1) Approved the 2020 Business Report and Financial Statements (2) Approved 2020 earnings distribution proposal (3) Held a by-election for an independent director (4) Proposal for cash capital reduction (5) Removed non-compete restrictions for the Directors of the Company	(1) Resolution was passed. (2) Approved the 2020 statement of earnings distribution and paid out cash dividends on August 25, 2021. (3) This proposal was approved and registered with the Ministry of Economic Affairs on July 19, 2021. (4) Approved this proposal, and the change registration for capital reduction was approved by the Ministry of Economic Affairs on October 5, 2021. (5) Resolution was passed.

**2. Major Resolutions of the Board of Directors Meetings in 2021 and 2022:**

<b>Date of Meeting</b>	<b>Term-Session</b>	<b>Major Resolutions</b>
2021.02.02	12-6	(1) Approved the Company's proposal to participate in the subscription of Cameo Communications, Inc.'s privately placed ordinary shares (2) Approved the formulation of the "Company's ESG Committee Charter"
2021.03.17	12-7	(1) Approved the proposal for the 2020 Internal Control System Statement (2) Approved the proposal for dismissal and appointment of the Company's Business President

		<ul style="list-style-type: none"> <li>(3) Approved the proposal for the newly appointed managerial officers' 2021 remuneration</li> <li>(4) Approved the proposal for the 2021 Business President's and managerial officers' KPI and remuneration</li> <li>(5) Approved the proposal for the President's salary adjustment in 2021</li> <li>(6) Approved the proposal for the distribution of the 2020 employees' and Directors' remuneration</li> <li>(7) Approved the independence and suitability evaluation report of the CPAs appointed by the Company for 2021</li> <li>(8) Approved the Company's 2020 business report and financial statements</li> <li>(9) Approved the Company's 2020 earnings distribution proposal</li> <li>(10) Approved the Company's 2021 business plan and budget proposal.</li> <li>(11) Approved the proposal for the Company's cash capital reduction</li> <li>(12) Approved the proposal for application for renewal of credit lines to banks</li> <li>(13) Approved matters related to the convening of the 2021 General Shareholders' Meeting of the Company</li> <li>(14) Approved matters related to shareholders' proposals for the Company's 2021 General Shareholders' Meeting.</li> <li>(15) Approved the removal of the non-compete clause for Directors of the Company.</li> <li>(16) Approved the proposal for amendment to the Company's "Procedures for Materiality Management and Prevention of Insider Trade"</li> <li>(17) Approved the proposal for amendment to the Company's "Related Party Transaction Regulations"</li> </ul>
2021.03.30	12-8	<ul style="list-style-type: none"> <li>(1) Approved the by-election for an Independent Director and reviewed the list of Independent Director candidates nominated by the Board of Directors.</li> <li>(2) Approved matters related to the nomination for independent Director candidates by shareholders holding more than 1% of the shares for the by-election at the general shareholders' meeting.</li> <li>(3) Approved the revision of the reason for convening the Company's 2021 General Shareholders' Meeting.</li> <li>(4) Approved the removal of the non-compete clause for Directors of the Company.</li> </ul>
2021.05.04	12-9	<ul style="list-style-type: none"> <li>(1) Approved the proposal for the Company's CPA fees for 2021.</li> <li>(2) Approved the proposal for the appointment of the Company's Corporate Governance Officer.</li> <li>(3) Approved the proposal for application for renewal of short-term credit lines and financial product trading facilities to banks.</li> <li>(4) Approved the proposal for application for renewal of a short-term credit line to banks.</li> <li>(5) Approved the proposal for amendment to the Company's "Authorization Enforcement Rules"</li> <li>(6) Approved the proposal for formulation of the Company's</li> </ul>

		<p>“Corporate Social Responsibility Best Practice Principles”</p> <p>(7) Approved the proposal for the Company's “Risk Management Policy and Procedures”</p> <p>(8) Approved the proposal for amendment to the Company's “ESG Committee Charter”</p>
2021.06.18	12-10	Approved the proposal for postponement of the date and place of the 2021 Annual General Shareholders’ Meeting
2021.08.06	12-11	<p>(1) Approved the appointment of members of the Company's 4<sup>th</sup> Remuneration Committee.</p> <p>(2) Approved the proposal for application for renewal of a comprehensive credit line and financial product trading facilities to banks</p> <p>(3) Approved the proposal for application for renewal of a credit line to banks</p> <p>(4) Approved the proposal for amendment to the Company's “Budget Management Regulations”</p> <p>(5) Approved the proposal for disposal of Yeo-Chia Investment Co., Ltd. and Yeo-Mao Investment Co., Ltd. in the third quarter of 2021.</p> <p>(6) Approved the proposal for addition of the authorized traders for derivatives trading.</p> <p>(7) Approved the proposal for change of the Chairman and CEO of the Company.</p>
2021.08.31	12-12	<p>(1) Approved the proposal for the appointment of the Company's managerial officers</p> <p>(2) Approved the proposal for amendment to the Company's “Management Regulations on the Remuneration of Directors and Functional Committee Members”</p> <p>(3) Approved the proposal for the remuneration to the newly appointed Chairman</p> <p>(4) Approved the proposal for the remuneration to the newly appointed President of the Group</p> <p>(5) Approved the proposal for the new CEO's salary adjustment.</p> <p>(6) Approved the proposal for managerial officers’ salary adjustment</p> <p>(7) Approved the proposal for the Company's capital reduction record date, capital reduction and share exchange record date, and capital reduction and share exchange plan</p>
2021.11.05	12-13	<p>(1) Approved the Company's 2022 annual audit plan</p> <p>(2) Approved the proposal for amendment to the Company's “ESG Committee Charter”</p> <p>(3) Approved the proposal for formulation of the Company's “Implementation Measures for the Whistleblowing System”</p> <p>(4) Approved the proposal for amendment to the Company's “Remuneration Committee Charter”</p> <p>(5) Approved the proposal for amendment to the Company's “Ethical Corporate Management Best Practice Principles”</p> <p>(6) Approved the proposal for application for renewal of credit lines and derivatives trading facilities to banks</p> <p>(7) Approved the proposal for application for renewal of a short-term credit line and derivatives trading facilities to banks</p>

		<p>(8) Approved the proposal for disposal of the securities held by Yeo-Mao Investment Ltd. and transfer them to Yeo-Tai Investment Ltd. and D-Link Corporation</p> <p>(9) Approved the proposal for replacement of the Company's Corporate Governance Officer</p>
2022.02.22	12-14	<p>(1) Approved the proposal for the 2021 Internal Control System Statement</p> <p>(2) Approved the proposal for the appointment of the Company's managerial officers</p> <p>(3) Approved the proposal for the 2022 performance target plan for managerial officers</p> <p>(4) Approved the proposal for ratification of the employee remuneration and bonuses to the Company's managerial officers (Assistant Vice Presidents or above)</p> <p>(5) Approved the proposal for amendment to the "Management Regulations on the Remuneration of Directors and Functional Committee Members"</p> <p>(6) Approved the independence and suitability evaluation report of the CPAs appointed by the Company for 2022</p> <p>(7) Approved the proposal for the CPAs' fees for the Company's financial statements and taxation</p> <p>(8) Approved the proposal for adjustment to D-Link Group's global investment structure</p> <p>(9) Approved the proposal for application for renewal of a short-term credit line and derivatives trading to banks</p> <p>(10) Approved the proposal for the removal of the non-compete clause for the Company's managerial officers</p> <p>(11) Approved the removal of the non-compete clause for Directors of the Company</p> <p>(12) Approved matters related to the convening of the 2022 Annual General Shareholders' Meeting</p> <p>(13) Approved matters related to shareholders' proposals for the Company's 2022 General Shareholders' Meeting</p> <p>(14) Approved the proposal for amendment to the Company's "Group-Wide Tax Policy and Management Regulations"</p> <p>(15) Approved the proposal for amendment to the Company's "Corporate Governance Best Practice Principles"</p> <p>(16) Approved the proposal for amendment to the Company's "Corporate Social Responsibility Best Practice Principles"</p> <p>(17) Approved the proposal for amendment to the "Seal Management Regulations"</p> <p>(18) Approved the proposal for amendment to the Company's "Information Security Management Policy"</p>
2022.03.29	12-15	<p>(1) Approved the proposal for 2021 employees' and Directors' remuneration distribution</p> <p>(2) Approved the Company's 2021 Business Report and Financial Statements</p> <p>(3) Approved the 2022 business plan and budget proposal</p> <p>(4) Approved the 2021 statement of earnings distribution</p> <p>(5) Approved the cash dividends from capital surplus</p> <p>(6) Approved the proposal for amendment to the "Articles of</p>



		<p>Incorporation”</p> <p>(7) Approved the proposal for amendment to the “Regulations Governing the Acquisition and Disposal of Assets”</p> <p>(8) Approved the revision of the reason for convening the Company’s 2022 Annual General Shareholders’ Meeting.</p>
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**(XIII) Major Issues of Record or Written Statements Made by any Director Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Printing Date of this Annual Report:**

<b>Date of Meeting</b>	<b>Term-Session</b>	<b>Major Resolutions</b>
2021.03.17	12-7	<p>Proposal A: Proposal for dismissal and appointment of the Company's Business President.</p> <p>Directors’ dissenting opinions: Director Alan Yu, the representative of Pu Ju Investment Co., Ltd., was concerned about the competition issue for the new managerial officer.</p>
		<p>Proposal B: Proposal for the Company’s 2021 Business President’s KPI and remuneration.</p> <p>Directors’ dissenting opinions: Director Alan Yu, the representative of Pu Ju Investment Co., Ltd., made an explanation and expressed the same view as that for Proposal A.</p>
		<p>Proposal C: Proposal for the President’s salary adjustment in 2021.</p> <p>Directors’ dissenting opinions: Director David Tai, the representative of Pu Ju Investment Co., Ltd., suggested that the system should be improved first.</p>
		<p>Proposal D: Proposal for 2020 employees' and Directors' remuneration distribution</p> <p>Directors’ dissenting opinions: Directors Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., suggested that the use of funds should be carefully considered first.</p>
		<p>Proposal E: The Company's 2020 earnings distribution proposal.</p> <p>Directors’ dissenting opinions: Director Alan Yu, the representative of Pu Ju Investment Co., Ltd., expressed reservations about this proposal.</p>
		<p>Proposal F: Proposal for cash capital reduction by the Company.</p> <p>Directors’ dissenting opinions: Independent Director Shyang-Fong Chung and Directors Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., all suggested that the use of funds should be carefully considered first.</p>
2021.03.30	12-8	<p>Proposal: The by-election of an Independent Director and the review of a list of independent director candidates nominated by the Board of Directors.</p> <p>Directors’ dissenting opinions: Directors Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., expressed reservations about this proposal.</p>
2022.02.22	12-14	<p>Proposal: Proposal for the removal of the non-compete clause for the Company’s managerial officers.</p> <p>Directors’ dissenting opinions: Director Alan Yu, the representative of Pu Ju Investment Co., Ltd., Director John Lee, and Director Howard Kao</p>

Date of Meeting	Term-Session	Major Resolutions
		expressed reservations about this proposal, while Director David Tai, the representative of Pu Ju Investment Co., Ltd., expressed opposition to this proposal.
2022.03.29	12-15	Proposal: Proposal for the cash dividends from capital surplus. Directors' dissenting opinions: Director Alan Yu and David Tai, the representatives of Pu Ju Investment Co., Ltd., Director John Lee, and Director Howard Kao expressed opposition to this proposal.

**(XIV) A Summary of Resignations and Dismissals of the Company's Chairman, President, Chief Accounting Officer, Financial Manager, Internal Auditor, Corporate Governance Officer, or Research and Development Officer During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report:**

Title	Name	Appointment Date	Date of Resignation or Dismissal	Reasons for resignation or dismissal
Chairman	John Lee	2020.06.15	2021.08.06	Resigned
Corporate Governance Officer	IC Hsu	2021.05.04	2021.11.05	Dismissed

## V. Information on CPA Professional Fees

### (I) CPA Professional Fees in the Most Recent Year

Unit: NT\$ Thousand

CPA Firm	Name of CPAs	Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
KPMG Taiwan	Pao-Lien Chou	2021.01.01   2021.12.31	\$4,480	\$1,240	\$5,720	Non-audit fees were mainly fees related to the audit and certification of profit-seeking enterprise income tax returns filed, employee salary review service, transfer pricing report, and the audit and certification of the business tax direct deduction method.
	Chiu-Hua Hsieh	2021.01.01   2021.12.31				

**(II) Where the CPA Firm was Replaced, the Audit Fees Paid in the Fiscal Year When the Replacement was Made were Less Than that in the Previous Fiscal Year Before Replacement, the Amount of Audit Fees Paid Before/After Replacement and Reasons Thereof Shall be Disclosed:** Not applicable.

**(III) Where Accounting Fee Paid for the Year was More Than 10% Less Than that of the Previous Year, the sum, Proportion, and Cause of the Reduction Shall Be Disclosed:** The accounting fee in 2020 decreased by NT\$783 thousand, a decrease of 14.87% compared with 2020, mainly due to the enhanced audit efficiency as a result of the improved audit techniques.

**VI. Replacement of CPA:** Not applicable.

**VII. The Company's Chairman, President, or any Managerial Officer in Charge of Finance or Accounting Matters Who Has, in the Most Recent Year, Held a Position at the Accounting Firm of its CPA or at an Affiliated Firm:** None.

**VIII. Equity Transfer or Changes in Equity Pledged by the Company's Directors, Managerial Officers, or Shareholders with Shareholding Percentage Exceeding 10% in the Most Recent Year as of the Publication Date of this Annual Report:**

**(I) Shareholding Changes of Directors, Managers and Major Shareholders**

Unit: Share

Title	Name	2021		up to 2022.03.31	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Chairman	Victor Kuo	0	0	0	0
Institutional Director	Young Syun Investment Co., Ltd.	(521,600)	0	0	0
	Representative: Joseph Wang	0	0	0	0
	Representative: Steve Lin (Resigned on 2022.02.2)	0	0	0	0
Institutional Director	Pu Ju Investment Co., Ltd.	3,448,120	0	0	0
	Representative: David Tai	0	0	0	0
	Representative: Alan Yu	0	0	0	0
Director	John Lee	(4,752,380)	0	0	0
Director	Howard Kao	(275,543)	0	0	0
Independent Director	Richard Chen	0	0	0	0
Independent Director	Richard Lee	0	0	0	0
Independent Director	Chun-Hsiung Chu (Be elected on 2021.07.05)	0	0	0	0
Independent Director	Shyang-Fong Chung (Resigned on 2021.03.19)	0	0	N/A	N/A
CEO	CJ Chang	(114)	0	0	0
President	Mark Chen	0	0	0	0
Senior Vice President	Sara Cheng	0	0	0	0

Title	Name	2021		up to 2022.03.31	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Vice President	Rita Huang	0	0	0	0
Vice President	Kevin Chung	(25,805)	0	0	0
CFO	Joanne Chen	200,000			
Accounting Supervisor	Claire Chou	0	0	0	0
Corporate Governance Officer	Wynne Ho	0	0	0	0
Advisor	Fred Fong	0	0	0	0
Vice President	Shang-Lin Chung ( Resigned on 2021.08.31 )	0	0	N/A	N/A
Vice President	Louis Huang ( Resigned on 2021.09.16 )	0	0	N/A	N/A
Vice President	ML Jean ( Resigned on 2021.09.30 )	0	0	N/A	N/A
Vice President	GK Lee ( Transferred on 2021.10.31 )	0	0	N/A	N/A
Assitant Vice President	Ziva ( Resigned on 2021.10.15 )	0	0	N/A	N/A
Chief Software Officer	Allen Cheng ( Resigned on 2021.11.02 )	0	0	N/A	N/A
Corporate Governance Officer	IC Hsu ( Dismissed on 2021.11.05 )	0	0	N/A	N/A

Note: In order to enhance the rate of return on equity and adjust the capital structure, the annual general shareholders' meeting on July 5, 2021, approved a capital reduction of NT\$521,596,930 and cancellation of 52,159,693 issued shares. The letter No. 1101804504 issued by Taiwan Stock Exchange has approved the application.

**(II) Stock Transfer with Related Party: None.**

**(III) Stock Pledged with Related Party: None.**

## IX. Information on the Relationship Between the Top 10 Shareholders of the Company

2022.03.28

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name and Relationship between DLC's Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relation	
Sapido Technology Inc. Representative: Yun-Chin Li	59,818,400	9.97	—	—	—	—	—	—	—
Yitongyuan investment Co., Ltd. Representative: Chun-Yi Huang	32,825,600	5.47	—	—	—	—	Young Syun Investment Co., Ltd.	Controlling company	—
							Chun-Yen Huang	The sister of the spouse	
Pu Ju Investment Co., Ltd. Representative: Lori Hu	15,939,120	2.66	—	—	—	—	—	—	—
E-Top Metal Co., Ltd. Representative: Ching-Li Yen	11,828,189	1.97	—	—	—	—	—	—	—
Chia Hwa Investment Co., Ltd. Representative: Feng-Yun Chou	11,454,000	1.91	—	—	—	—	—	—	—
Vanguard Emerging Markets Stock Index Fund a Series of Vanguard International Equity Index Funds	7,378,400	1.23	—	—	—	—	—	—	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	7,312,584	1.22	—	—	—	—	—	—	—
John Lee	6,697,364	1.12	—	—	—	—	—	—	—
Young Syun Investment Co., Ltd. Representative: Chun-Yen Huang	5,998,400	1.00	—	—	—	—	Yitongyuan Investment Co., Ltd.	subordinate company	—
							Chun-Yi Huang	the spouse of the sister	
Chien Chin Investment Co., Ltd. Representative: Chih-Hao, Chien	5,434,069	0.91	—	—	—	—	—	—	—

## X. The Shareholding of the Same Invested Company by the Company, the Directors, the Managers, or Another Business that is Controlled by the Company Directly or Indirectly

2021.12.31; Note 1: Refers to company limited

Investee (Note 2)	Investment by the Company		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of the Company		Total Investments	
	Shares	%	Shares	%	Shares	%
D-Link Canada Inc.	5,736,000	100.00	—	—	5,736,000	100.00
D-Link Systems, Inc.	47,295,007	98.44	750,000	1.56	48,045,007	100.00
D-Link Holding Company Ltd.	68,062,500	100.00	—	—	68,062,500	100.00
D-Link (Europe) Ltd.	—	—	32,497,455	100.00	32,497,455	100.00
D-Link AB	—	—	15,500	100.00	15,500	100.00
D-Link (Magyarország) Kft	—	—	300	100.00	300	100.00
D-Link France SARL	—	—	114,560	100.00	114,560	100.00
D-Link Polska Sp. Z.o.o.	—	—	100	100.00	100	100.00
D-Link Iberia SL	—	—	50,000	100.00	50,000	100.00
D-Link s.r.o.	—	—	100	100.00	100	100.00
D-Link (Netherlands) BV	—	—	50,000	100.00	50,000	100.00
D-Link Mediterraneo SRL	—	—	50,000	100.00	50,000	100.00
D-Link (Deutschland) GmbH	—	—	Note 1	100.00	Note 1	100.00
D-Link (Holdings) Ltd.	—	—	3	100.00	3	100.00
D-Link (UK) Ltd.	—	—	300,100	100.00	300,100	100.00
D-Link Adria d.o.o.	—	—	Note 1	100.00	Note 1	100.00
OOO D-Link Russia	—	—	Note 1	100.00	Note 1	100.00
Success Stone Overseas Corp.	—	—	9,822	100.00	9,822	100.00
D-Link Holding Mauritius, Inc.	—	—	200,000	100.00	200,000	100.00
D-Link (India) Ltd.	—	—	18,114,663	51.02	18,114,663	51.02
TeamF1 Networks Private Ltd.	—	—	10,500	51.02	10,500	51.02
D-Link Shiang-Hai (Cayman) Inc.	—	—	50,000	100.00	50,000	100.00
D-Link (Shiang-Hai) Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00
Netpro Trading (Shiang-Hai) Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00

D-Link International Pte. Ltd.	66,074,660	99.36	425,340	0.64	66,500,000	100.00
D-Link Korea Limited	—	—	330,901	100.00	330,901	100.00
D-Link Trade M	—	—	Note 1	100.00	Note 1	100.00
D-Link Russia Investment Co. Ltd.	—	—	25,000,000	100.00	25,000,000	100.00
D-Link Malaysia Sdn Bhd	—	—	800,000	100.00	800,000	100.00
D-Link Service Lithuania, UAB	—	—	1,000	100.00	1,000	100.00
D-Link Sudamerica S.A.	199,999	100.00	1	—	200,000	100.00
D-Link Mexicana S.A de C.V	152,066	100.00	3	—	152,069	100.00
D-Link Japan K.K.	9,500	100.00	—	—	9,500	100.00
D-Link Australia Pty Ltd.	999,000	99.90	1,000	0.10	1,000,000	100.00
D-Link Middle East FZCO	5	83.33	1	16.67	6	100.00
D Link Network	—	—	100	100.00	100	100.00
D-Link Brazil LTDA.	2,964,836,727	100.00	100	—	2,964,836,827	100.00
D-Link Investment Pte. Ltd.	2,200,000	100.00	—	—	2,200,000	100.00
OOO D-Link Trade	—	—	Note 1	100.00	Note 1	100.00
T-COM, LLC	—	—	Note 1	40.00	Note 1	40.00
D-Link Latin-America Company Ltd.	41,000	100.00	—	—	41,000	100.00
D-Link Peru S.A.	—	—	3,500	100.00	3,500	100.00
D-Link de Colombia S.A.S.	—	—	1,443,605	100.00	1,443,605	100.00
D-Link Guatemala S.A.	—	—	99,000	99.00	99,000	99.00
D-Link Argentina S.A.	—	—	100	100.00	100	100.00
Yeo-Tai Investment Ltd.	14,600,000	100.00	—	—	14,600,000	100.00
Xtramus Technologies Co., Ltd.	—	—	1,832,446	41.18	1,832,446	41.18
Cameo Communications, Inc.	137,532,993	41.58	—	—	137,532,993	41.58
MiiiCasa Holding (Cayman) Inc.	—	—	21,000,000	28.98	21,000,000	28.98

Note 2: Investments accounted for using equity method.



# Chapter 4 Capital and Shares

## I. Capital and Shares

### (I) Sources of Capital

Unit: Thousand shares; NT\$ Thousand; 2022.03.31

Month/ Year	Issue Price	Authorized capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
Aug. 2006	10	880,000	8,800,000	675,378	6,753,780	Capital increase from retained earnings 119,432 Capital increase from capital surplus by 477,729 Capital increase from employee bonus by 65,000	—	08/21/2006 Department of Commerce, MOEA No. 09501184120
Nov. 2006	10	880,000	8,800,000	663,780	6,637,801	Reduction of treasury shares by 120,000	—	11/28/2006 Department of Commerce, MOEA No. 09501266710
Aug. 2007	10	880,000	8,800,000	683,846	6,838,456	Capital increase from retained earnings 132,676 Capital increase from employee bonus by 72,000	—	08/14/2007 Department of Commerce, MOEA No. 09601196230
Nov. 2007	10	880,000	8,800,000	547,076	5,470,765	Cash capital reduction 1,367,691	—	11/21/2007 Department of Commerce, MOEA No. 09601286290
Aug. 2008	10	880,000	8,800,000	565,218	5,652,180	Capital increase from retained earnings 109,415 Capital increase from employee bonus by 72,000	—	08/19/2008 Department of Commerce, MOEA No. 09701205030
Sep. 2009	10	880,000	8,800,000	647,580	6,475,803	Capital increase from retained earnings 823,623	—	09/08/2009 Department of Commerce, MOEA No. 09801206030
Oct. 2014	10	880,000	8,800,000	635,580	6,355,803	Reduction of treasury shares 120,000	—	10/17/2014 Department of Commerce, MOEA No. 10301214590
Oct. 2014	10	880,000	8,800,000	647,756	6,477,557	Capital increase from retained earnings 121,755	—	10/17/2014 Department of Commerce, MOEA No. 10301214590
Sep. 2015	10	880,000	8,800,000	678,803	6,788,032	Capital increase from retained earnings 155,237 Capital increased by capital surplus 155,237	—	09/02/2015 Department of Commerce, MOEA No. 10401179680
Nov. 2015	10	880,000	8,800,000	676,996	6,769,962	Reduction of treasury shares 18,070	—	11/27/2015 Department of Commerce, MOEA No. 10401253760
Apr. 2016	10	880,000	8,800,000	651,996	6,519,962	Reduction of treasury shares 25,000	—	04/07/2016 Department of Commerce, MOEA No. 10501064990
Oct. 2021	10	880,000	8,800,000	599,836	5,998,365	Cash capital reduction 521,597	—	10/05/2021 Department of Commerce, MOEA No. 11001171690

Unit: share

Share Type	Authorized Capital			Remarks
	Issued Shares	Unissued Shares	Total	
Registered Common Shares	599,836,473	280,163,527	880,000,000	Listed

Shelf Registration: None

**(II) Shareholder Structure**

Unit: share; 2022.03.28

Shareholder Structure QTY	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	2	1	214	65,527	200	65,944
Shareholding	174	13,800	173,504,094	381,169,985	45,148,420	599,836,473
Percentage (%)	0.00	0.00	28.93	63.54	7.53	100

**(III) Distribution of Shareholding**

Unit: share; 2022.03.28

Shareholding Range	Number of shareholders	Shareholding	Percentage (%)
1 – 999	32,773	9,022,207	1.50
1,000 – 5,000	21,203	52,635,237	8.77
5,001 – 10,000	5,797	45,178,430	7.53
10,001 – 15,000	1,834	22,742,747	3.79
15,001 – 20,000	1,280	23,202,538	3.87
20,001 – 30,000	1,045	26,356,579	4.39
30,001 – 40,000	495	17,469,789	2.91
40,001 – 50,000	367	16,771,595	2.80
50,001 – 100,000	664	47,160,749	7.86
100,001 – 200,000	273	38,654,901	6.44
200,001 – 400,000	109	29,543,794	4.93
400,001 – 600,000	38	18,394,221	3.07
600,001 – 800,000	16	10,747,340	1.79
800,001 – 1,000,000	8	7,431,177	1.24
1,000,001 or more	42	234,525,169	39.11
Total	65,944	599,836,473	100

**(IV) List of MAJOR SHAREHOLDERS**

Unit: share; 2022.03.28

Shareholder's Name	Shareholding	Shareholding	Percentage (%)
Sapido Technology Inc.		59,818,400	9.97
Yitongyuan investment Co., Ltd.		32,825,600	5.47
Pu Ju Investment Co., Ltd.		15,939,120	2.66
E-Top Metal Co., Ltd.		11,828,189	1.97
Chia Hwa Investment Co., Ltd.		11,454,000	1.91

Vanguard Emerging Markets Stock Index Fund a Series of Vanguard International Equity Index Funds	7,378,400	1.23
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	7,312,584	1.22
John Lee	6,697,364	1.12
Young Syun Investment Co., Ltd.	5,998,400	1.00
Chien Chin Investment Co., Ltd.	5,434,069	0.91

### (V) Market Price, Net Worth, Earnings, and Dividends Per Share and Relevant Information in the Most Recent Two Years

Unit: NT\$; thousand shares; %

Item		Year	2020	2021
Market Price Per Share (Note 1)	Highest		30.8	30.65
	Lowest		8.1	16.2
	Average		16.91	20.69
Net Worth Per Share (Note 2)	Before Distribution		14.20	14.13
	After Distribution		13.90	13.83
Earnings Per Share	Weighted Average Shares		651,996	643,610
	Earnings Per Share (Note 3)		1.90	0.38
Dividends Per Share	Cash Dividends		0.30	0.30
	Stock Dividends	From Retained Earnings	—	—
		From Capital Surplus	—	—
	Cumulative Unpaid Dividends (Note 4)		—	—
Return on Investment	Price/Earnings Ratio (Note 5)		8.90	54.45
	Price/Dividend Ratio (Note 6)		56.37	68.97
	Cash Dividend Yield (Note 7)		1.77%	1.45%

\* In the event of shares issued for capitalization of retained earnings or capital surplus, the market price and cash dividend information retrospectively adjusted as per the number of shares issued shall be disclosed.

Note 1: The highest and lowest market price of the shares for each fiscal year are listed, and the average market price for each fiscal year is calculated based on trading value and volume in each year.

Note 2: Please fill these rows based on the number of shares issued at the end of the fiscal year and the distribution plan resolved by the Board of Directors or approved at the shareholders' meeting in the subsequent fiscal year.

Note 3: If retrospective adjustment is required due to distribution of stock dividends, the earnings per share before and after adjustment shall be entered.

Note 4: If the conditions for the issuance of equity securities stipulate that the unpaid dividends in the year can be accumulated till the year in which there is a surplus, the cumulative unpaid dividends up to the year shall be disclosed separately.

Note 5: Price/Earnings Ratio = Average closing price per share for current fiscal year / Earnings per share.

Note 6: Price/Dividend Ratio = Average closing price per share of the year / Cash dividend per share.

Note 7: Cash Dividend Yield Rate = Cash dividend per share / Average closing price per share for the current fiscal year.

Note 8: Net worth per share and earnings per share shall be based on the information, audited (reviewed) by CPAs, in the most

recent quarter as of the publication date of the annual report. The remaining fields shall be based on the information in the current year up to the publication date of the annual report.

## **(VI) Dividend Policy and Implementation Status**

### **1. Dividend Policy:**

In response to the overall business environment and the nature industrial growth, the Company's long-term financial planning recruitment of domestic and foreign talents and pursuit of sustainable business operations, the Company adopts a residual dividend policy. The Company's "Articles of Incorporation" provides that the Company's annual profit, if any, at the end of the year, it shall be distributed in the following order: (1) Tax payment (2) Set off accumulated deficits (3) Appropriate 10% as legal reserve (4) Appropriate or return to special reserve pursuant to regulations formulated by the competent authority (5) If there is a surplus after the preceding deductions, the balance and the accumulated undistributed surplus will be determined by the Board for distribution. Shall the remuneration be distributed in form of new shares, such matter shall be resolved by the Shareholders' Meeting before distribution thereof. The total amount of shareholder dividends shall be no less than 30% of the distributable profit of the year.

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

Dividend types: Based on the Company's capital budget plan, stock dividends may be distributed to retain the required funds, and the rest are distributed in in form of cash, provided that the cash dividends are not less than 10% of the total dividends.

### **2. Proposed Dividend Distribution at the Shareholders' Meeting:**

The Company's Board of Directors, on March 29, 2022, resolved to distribute a total of NT\$179,950,942 from capital surplus derived from the issuance of new shares at a premium based on the shareholding as recorded on the shareholders' roster on the ex-dividend date at NT\$0.3 per share. After reporting to shareholders' meeting on May 27, 2022, the Chairman is authorized to set the ex-dividend date and other matters.

## **(VII) Impact of Issuing Stock Dividend Proposed in this Shareholders' Meeting on the Company's Operational Performance and Earnings Per Share: Not applicable.**

## **(VIII) Compensation of Employees and Remuneration of Directors**

### **1. Information Relating to Percentage or Scope of Compensation for Employees and Remuneration for Directors in the "Articles of Incorporation":**

The Company shall appropriate 1% to 15% of the current year's profit as compensation to employees, and no more than 1% of the current year's profit as remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any.

### **2. The Basis for Estimating the Amount of Compensation to Employees and Remuneration to Directors, for Calculating the Number of Shares to be Distributed as Employee Compensation, and the Accounting Treatment of the Discrepancy, if any, Between the Actual Distributed Amount and the Estimated Figure, for the Current Period:**

The compensation to the Company's employees and the remuneration to directors is

estimated based on the Company's net income before tax for a period less the employees' compensation and directors' remuneration multiplied by the percentages for employees' compensation and directors' remuneration stipulated in the "Articles of Incorporation" and recognized in operating costs or operating expenses for the same period. Any difference between the estimated amount and the amount distributed as resolved by the Board of Directors is accounted for as changes in estimates and recognized in the subsequent year's profit or loss.

**3. Distribution of Compensation of Employees and Remuneration of Directors Approved by the Board of Directors:**

- (1) Amount of compensation distributed to employees and amount of remuneration distributed to Directors in the form of cash or stock: The Board of Directors approved employees' compensation of NT\$12,621 thousand and directors' remuneration of NT\$1,262 thousand on March 29, 2022.
- (2) The amount of any employee compensation distributed in stocks, and the amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial report: Not applicable.

**4. Information of Distribution of 2020 Compensation of Employees and Remuneration of Directors (with an Indication of the Number of Shares, Monetary Amount, and Stock Price, of the Shares Distributed) and, if there is Any Discrepancy Between the Actual Distribution and the Recognized Employees' Compensation and Directors' Remuneration, Additionally the Discrepancy, Cause, and How it is Treated:**

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.

**(IX) Buy-back of the Company's Treasury Stock: None.**

**II. Issuance of Corporate Bonds: None.**

**III. Issuance of Preferred Shares: None.**

**IV. Issuance of Overseas Depository Receipts: None.**

**V. Status of Employee Stock Option: None.**

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

**VII. Financing Plans and Implementation: None.**

## Chapter 5 Business Overview

### I. Business Activities

#### (I) Business scope

##### 1. Major Lines of Business

The Company sells networking and connectivity systems and products for service providers, small and medium businesses, enterprises, and consumers. In recent years, it has developed cloud application platforms and provided various network application solutions..

##### 2. Major Product Lines

Unit: NT\$ Thousand

Products	The Company		All Consolidated Entities	
	Total Sales Amount in 2021	Percentage of Sales (%)	Total Sales Amount in 2021	Percentage of Sales (%)
Networking Products	786,679	56.49	15,364,507	98.97
Service revenue	605,896	43.51	160,394	1.03
Total	1,392,575	100.00	15,524,901	100.00

#### 3. Current Major Products

##### (1) Switches

The hardware circuit in the switch can recognize the destined port of the sending packets and then forward data to that port only. It accomplishes the high bandwidth data transfer by establishing the connections between sending and receiving ports. It is a network device that provides the data exchange functions between Layer 2 (Data Link Layer) and Layer 3 (Network layer).

The product lines can be divided into unmanaged, smart, managed, chassis, and industrial switches, to provide the SOHO group, SMBs, enterprises, and telecom companies with network equipment solutions. The Data Center switches offer 10G/40G/100G transmission interface to meet the needs of data centers.

##### (2) Wireless LAN products

A wireless access point (AP) or router is a device for logging in and accessing to the Internet through a wireless network. The wireless network eliminates the need for wiring, which not only provides flexibility but also increases the convenience for accessing the Internet. At present, the mainstream products are IEEE802.11ax wireless routers with transfer speed of nearly 10Gbps and supporting IEEE 802.11ac, with a speed of up to 6.9Gps. In addition, the Company's various types of routers also support value-added functions, including built-in Secure Home Platform, Mesh network, automatic firmware update (FOTA), and voice control (Alexa and Google Assistant). Since the launch of the EAGLE Pro AI series, we have provided intelligent network management, automatic frequency band selection, weekly network performance report, and other user-friendly intelligent functions, with the aim of continuing to improve the home network experience.

##### (3) Broadband Products

Broadband refers to the high-speed wide area network (WAN) connectivity for Internet access. The most common transmission media are the copper wire (the transmission standards include ADSL, VDSL, VDSL2, and the newer G.fast) and the optical fiber (the main transmission standards are EPON, GPON, 10G EPON, NG-PON2, and XG(S)-PON). The LTE/5G router via the telecom mobile network is also a key project for the

Company's broadband product development.

**(4) Digital Home Appliances**

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

**(5) Cloud Application Product Solutions**

The Company's mydlink cloud platform allows users to integrate all their connected devices and enjoy various functions, including "information", "view", "control", "access", and "sharing" to satisfy everyone's diverse needs under different network behaviors and habits as the best innovative application model for people to enter the cloud era. Nuclias Cloud is the Company's Cloud-managed networking solution. It allows SMBs to manage their entire network cost-effectively (including switches, indoor APs, outdoor APs, and firewalls), which can be set up conveniently, to satisfy the customers' needs. It can also create more profits for the Company and enhance the core value of its own brand. In addition to the revenue from sales of equipment, the service fees paid by customers not only raise the Company's gross profit margins but also support the Company's continuous investment in innovation and improvement to achieve the vision of sustainable operation.

**(6) Other Networking Products**

In light of the importance of network security, the Company provides a series of solutions to SMBs and enterprises to choose from, including firewalls and VPN routers. Other network peripheral products include networking cables, USB hubs, and USB network adapters.

**4. New products and Technologies Under Development**

**(1) Switch**

As network traffic continues to rise, the switch market will continue to grow. The Company will launch a series of 10G/100GbE Ethernet switches to effectively alleviate data traffic congestions from server and backbone network. In addition, we are rolling out new series of Data Center switches, PoE switches (surveillance switches) for IP camera deployment, and enterprise Cloud switches.

**(2) Wireless LAN**

Compared with the limitation of traditional wireless connection technology that can only transmit from a single point to another, a wireless Mesh network allows each router to be connected to each other, so as to avoid single point of failure, which will cause failure in a greater part and even the entire wireless network. It not only improves network stability but also makes network cabling easier for consumers. Mesh routers have gradually become the mainstream of the market, and the Company has also successfully launched a series of new products to meet the market demand. The EAGLE PRO AI series performs calculations based on the analysis models corresponding to various data and then actively or passively makes suggestions for optimizing device settings. The Company will continue to design AI functional modules on the device, with the aim of allowing D-Link's products to be more trustworthy to users in terms of usability and security.

The Company has also launched a cloud network platform for SMBs and enterprises,

which is equipped with a series of switches, wireless APs, and security gateways, to meet customers' needs for rapid deployment, centralized management, lower thresholds for use, and lightening the burden on information IT personnel.

**(3) Broadband Access Products**

We will focus on high-end and high value-added as well as customized software requirements for our products. Therefore, we will roll out a series of Broadband Access products, including 11ax VDSL routers and 10G PON. In addition to continuing the competitive advantages brought by LTE/5G routers, we will invest in the research and development of relevant new technologies, including the 5G private network, and its growth can be anticipated in the future.

**(4) Digital Home Products**

The Company's IoT devices, including IP cameras, sensors, mydlink Mini Wi-Fi Smart Plug, and smart home gateways, which are equipped with the existing cloud management platform and advanced voice assistant like Alexa and Google Assistant. The gradual extension of solutions will not only create a more diverse and interesting and safer consumer experience but provide customized services for corporate clients.

**(5) Cloud Value-added Services**

In addition to the mydlink cloud platform for consumers, D-Link is actively developing cloud service platforms for corporate users, with the aim of increasing the depth and breadth of services through a series of wireless cloud APs and cloud switches for SMBs and enterprises, to increase customer stickiness and surpass competitors. Furthermore, with the maturity of various AI technologies (such as license plate recognition, vehicle fleet management, etc.), the Company has embarked on various technological integrations with the existing cloud services and equipment to enhance the vertical integration of the market and to create alternative business opportunities.

## **(II) Industry Overview**

### **1. Development Status of the Industry**

**(1) Local Area Network (LAN)**

Given the low-cost and easy-to-install characteristics of Ethernet, the LAN cabling at the network access layer and above around the world is still dominated by Ethernet. With the evolution of mobile Internet technology and the needs for greater bandwidth, 2.5G/ 10G/100G switches will gradually replace Gigabit switches.

The popularization of mobile Internet has accelerated the replacement of wired backbone networks. In the home network, the change in consumer habits has also brought about the needs for further replacement of wireless routers in the home. With the needs for faster speed, greater stability, and easier settings, the concept of comprehensive wireless network coverage at home, and the appearance design that features simplicity, modern look, and fit in with the living room, coupled with various voice assistants, wireless routers become more flexible and can be integrated into home life smoothly. Therefore, it is expected to lead to a huge wave of replacements.

**(2) Wide Area Network**

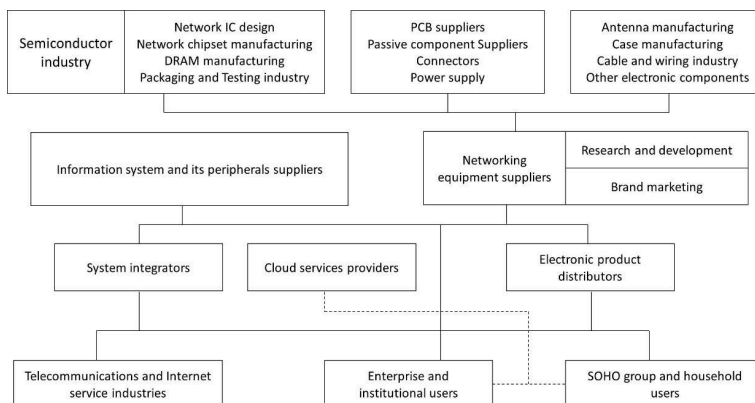
The broadband internet access has gradually upgraded to the optical fiber technology. Various passive optical network (PON) technologies are also thriving, including EPON, GPON, GEAPON, and 10G PON. With the increasing popularization of Wi-Fi 6/6E/7 and mobile 5G, 10G PON, with its advantages of 10 times the downlink and unlink



transmission speed and supporting Mobile Backhaul, has become the mainstream technology, taking the network market by storm.

Although LTE is still the mainstream of wireless wide area communication, 5G is bound to become the key infrastructure, with the increasing demand for greater bandwidth and the various services driven by technologies such as AI and big data. In addition to networking devices that access the Internet via 5G network, Small Cell and Mobile Edge Computing are important areas for networking industry development.

## 2. Relevance of Upstream, Midstream, Lowstream of the Industry



## 3. Development Trend and Competition of Products

### (1) Innovation Results and Core Values Over the Past Three Years

#### A. Focus on the development of a variety of cloud applications and solutions through the D-Link Cloud

At the end of 2011, the Company first launched the “Nuclias Series” platform for the networking industry. In recent years, it has gradually introduced various applications and integrated commercial solutions to the platform, which has brought the Nuclias to be more in line with customers' needs. The Nuclias cloud platform integrates various products, including switches, wireless access points, and security gateways. It allows customers to set up a wireless LAN (hot spot) in a very short time, to not only lower the technical threshold for users, reduce the manpower, time, and cost required for network management but enhance network security.

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

#### B. D-Link Security Surveillance Service Solution

The mydlink service solution is centered on surveillance, and the existing switches, IoT, and software are integrated into one cloud

service platform to allow customers to select, purchase, operate, and maintain security control equipment and systems more conveniently and easily, which significantly saves users' time and cost. Moreover, products of the same brand can avoid the issue of product incompatibility and provide users with a more stable security surveillance environment.

**C. LTE /5G Advanced Technology Application**

The Company's advanced cloud mobile solutions can help mobile operators provide users with ultra-fast Internet speeds to allow them to enjoy high throughput and greater mobility. The integration and innovation of LTE/5G routers and cloud services will completely change users' perception and habits of using the Internet. In the future, users can connect to the Internet through various CPE products anytime and anywhere, and experience the freedom and fun of the real high-quality mobile Internet access.

**(2) Product Competition**

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

In terms of enterprise network, major competitors include Cisco and HP. As the Company has been devoted to the field of Ethernet for many years, it has established a complete supply chain ecosystem, including software and hardware R&D, production, technological support, as well as customer education and training. Although facing the threat of low-price competition from China's companies, the Company is still very competitive.

In wireless LANs, low-end switches, and broadband product segments, low-priced brands, such as TP-Link, have developed rapidly in China and emerging countries, which has resulted in price competition in the retail/telecom market. In addition to consolidating the supply chain to reduce costs, the Company will enhance its technology and services to gain customers' recognition and break away from the price competition.

### (III) Technologies and Recent R&D Efforts

#### 1. R&D Expenditure in the Most Recent Two Years

Unit: NT\$ Thousand

Year	The Company	Consolidated Company
2021	587,011	873,752
2020	806,888	1,127,417

#### 2. Product/System Development Success and Specific Results

The Company launches 10 to 20 upgraded, improved, or innovative products every quarter. The company remains a global leading brand in wireless, broadband, SMEs and home network product markets. The main products recently launched include cloud switches, 2.5Gbps smart switches, enhanced enterprise integrated wireless solutions; EAGLE PRO AI Wi-Fi Mesh routers, bridges, and access points; multifunctional wireless broadband 4G/5G routers; PoE devices, bridges and PoE power supply equipment; high-definition two-way IP cameras for real-time voice chat, peripheral devices related to smart homes, and cloud network management platforms.

Year	Item
2011	<ul style="list-style-type: none"> <li>(1) Smart TV-related support network multimedia playing function, over-the-top (OTT) service, somatosensory games, and online community functions, such as D-Link Boxee Box, D-Link Yahoo Box, and D-Link Android Box</li> <li>(2) A new generation of 10G Data Center switches.</li> <li>(3) mydlink instant online security monitoring technology on iPhone, iPad, and Android Phone.</li> <li>(4) HD media routers that support wireless transmission of high-definition video and audio.</li> <li>(5) Smart Antenna, a wireless base station that supports longer transmission distances.</li> <li>(6) Wireless transmission that supports Intel wireless display to TV.</li> <li>(7) USB3.0 cards and hubs.</li> </ul>
2012	<ul style="list-style-type: none"> <li>(1) The hybrid network power cord wireless router and wireless base station that also support 802.11n wireless network and power cord network, with a transmission speed of up to 300Mbps (wireless)/500Mbps (power cord).</li> <li>(2) 802.11ac wireless routers and AP and USB/PCIE wireless network cards.</li> <li>(3) mydlink cloud network product series, including cloud routing, cloud storage, cloud monitoring.</li> <li>(4) Various apps in cloud routing, cloud storage, cloud monitoring on smart phones and tablets.</li> <li>(5) mydlink solutions for commercial cloud services. Intelligence video surveillance system (IVS).</li> </ul>
2013	<ul style="list-style-type: none"> <li>(1) Baby Cam: a series of dedicated webcam for baby care.</li> <li>(2) High-sensitivity nighttime full-color series network cameras.</li> <li>(3) 11ac + 3G + IP cam portable mobile routers.</li> <li>(4) mydlink shareport mobile device integrated data access.</li> </ul>

Year	Item
	<ul style="list-style-type: none"> <li>(5) D-store business linkage solutions.</li> <li>(6) The 11ac version of all wireless devices is fully launched.</li> </ul>
2014	<ul style="list-style-type: none"> <li>(1) Smart home IoT: Guji Cloud wirelessly connects smart homes with the mydlink cloud platform to provide a complete solution in wireless service, security, and energy conservation to ensure connected operation with mydlink Home app.</li> <li>(2) UI and Web UI icons are updated; simple setting can be carried out through with mydlink lite, mydlink home, and QRS app</li> <li>(3) The LTE smart home gateway leads the world with LTE CAT6 ( 300Mbps ) , and the 11ac 3x3 router provides VoLTE and Wi-Fi-calling voice services on the OSGI JAVA open platform.</li> <li>(4) Logging onto Facebook fan page through Facebook Wi-Fi allows for the free use of Wi-Fi services to enhance interaction with customers.</li> <li>(5) Company BYOD certification and authorization solution.</li> </ul>
2015	<ul style="list-style-type: none"> <li>(1) Cloud services platform and enterprise cloud equipment.</li> <li>(2) A new generation of high-power output PoE switches and metro Ethernet switches.</li> <li>(3) mydlink Home series of services and products.</li> <li>(4) A new generation of 11ac Wave2 routers.</li> <li>(5) 4G LTE machine-to-machine (M2M) and vehicle communication modules.</li> </ul>
2016	<ul style="list-style-type: none"> <li>(1) Apple Homekit certified 180 ° IP-CAM.</li> <li>(2) Wave 2 MU-MIMO AC1900/2600 °</li> <li>(3) Business cloud for telecom.</li> <li>(4) Launched smart industrial switches.</li> <li>(5) Tri-band AP with the Smart Antenna function.</li> </ul>
2017	<ul style="list-style-type: none"> <li>(1) Mesh is integrated into the switches and routers.</li> <li>(2) A new generation of digital camera product groups, such as LTE, battery, and dual-eye camera.</li> <li>(3) AI-related technologies, e.g., face recognition are applied to digital camera products.</li> <li>(4) 5G generation product planning and vertical market exploration.</li> </ul>
2018	<ul style="list-style-type: none"> <li>(1) Data Center switches.</li> <li>(2) Nuclias enterprise cloud management system that supports Hot Spot AP, switches, and cameras.</li> <li>(3) Exploration of 5G mobile communication broadband gain routers and 5G small cell technology.</li> <li>(4) Vertical integration of artificial intelligence, facial recognition, license plate recognition, camera, network storage, 4G router, cloud management systems, toll systems, and complete solutions.</li> <li>(5) Mesh home wireless routers and secured home wireless routers.</li> <li>(6) Complete smart home solutions.</li> </ul>
2019	<ul style="list-style-type: none"> <li>(1) Cloud switches.</li> <li>(2) 2.5Gbps smart switches.</li> <li>(3) New Covr series of cross-generation Mesh wireless network routers.</li> </ul>

Year	Item
	(4) Door and window sensors, motion detection sensors, and smart switches that support Amazon Echo Plus. (5) LTE M2M VPN/Wi-Fi wireless routers. (6) 5G NR wireless routers and MiFi (sub-6GHz).
2020	(1) A wireless router in alignment with the 802.11ax wireless standard (Wi-Fi 6). (2) A variety of 5G mobile wireless routers will provide a full range of solutions, including DWP-1020 5G outdoor CPE, DWR-978 5G wireless router, and DWR-2101 5G Wi-Fi 6 wireless router. (3) The new body temperature measurement solution, DCS-9500T. (4) EasyMesh™ dual-band wireless router, COVR-1100. (5) New smart network management switches: DXS-1210 series and DGS-1520 series. (6) DCS-8526LH Full HD rotary wireless network camera. (7) DSP-W320 outdoor wireless smart socket.
2021	(1) Launched the EAGLE PRO AI series wireless router, including Wi-Fi 6/5/4 product series, with the wireless sharing function, combined with many AI analysis functions to inform users of home network status. (2) Introduced Multi-G stackable smart network management switches to meet speed requirements of different applications. (3) Included the mobile router in Wi-Fi 6, equipped with the EasyMesh and the EAGLE PRO AI functions, with the wired network sharing function, allowing users to expand the scope of sharing through the EasyMesh function in the mobile sharing mode. (4) Adopted the new-generation chipset for 5G mobile routers and launched outdoor and indoor models as well as industrial 5G mobile gateways, with models corresponding to various needs during the emergence of 5G applications. (5) Launched a new generation of IP Cam solutions and reduce product lines, and launched Taiwan chip manufacturers' latest solutions, which have already met the market demand.

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

### 1. Short-term Development Strategy

**(1) Cooperate with High-quality ODMs to Establish a Controllable Supply Chain System with Close Relationships.**

D-Link, as one of a few networking brand companies in Taiwan, has established subsidiaries and nearly 100 sales offices in more than 50 countries around the world. The Company will be committed to forming in-depth strategic alliances with high-quality networking ODMs to distribute advanced products to the distribution channels so as to maximize the benefits of the brand.

**(2) Reshape D-Link's brand image and enhance brand value from three aspects, specifications and prices, functional performance, and corporate identity (CI).**

The Company's products will feature "optimal cost" and "outstanding and user-satisfactory performance", and the Company will launch the EAGLE Pro AI series with corporate identity (CI) product appearance and user experience in home, commercial, and industrial markets, to gradually win over customers and polish D-Link's brand image.

## **2. Mid-and-long-term Development Strategy**

- (1) Achieve the extreme simplification of the supply and management of networking products with cloud computing as the main pillar. For general consumers and SMEs, the operation and maintenance (installation, maintenance, upgrade, and management) of networking products are still quite a challenging task. The Company's mydlink, DECS, and Nuclias cloud systems are the most user-friendly systems to use and manage. In the future, "cloud functions" and "scope of products covered" will be expanded to fully achieve the concept of convenient networking services.
- (2) Create stable and advanced networking products with excellent radio frequency and high-speed signal technology. Networking products have entered a new era of intensive technologies, such as 10Gbps transmission and millimeter wave media. Radio frequency and high-speed signal technology will be the Company's advantages to surpass its competitors. The Company will continue to develop in this field in the future and maintain its leading position in technology and products.
- (3) Put forth enterprise networking solutions according to the site where the solutions are applied. In addition to focusing on the development and sales of each product, the company will integrate networking software and hardware to develop solutions according to different scenarios for application. As 5G mobile communication is not only suited for mobile phone applications but features the Internet of Everything (IoE) specifications. The Company will introduce 5G to the small manufacturers in the initial stage and integrate micro base stations, MEC, MES, ERP, and other systems into industrial solutions as the best choice for small manufacturing vertical markets to conduct automation transformation.

## II. Market and Sales Overview

### (I) Market Analysis

#### 1. Sales Regions of Major Products

Unit: NT\$ Thousand

Region \ Year		2020		2021	
		Amount	Percentage (%)	Amount	Percentage (%)
Export Sales	Asia	638,934	42.37	670,534	48.15
	America	7,114	0.47	5,922	0.42
	Europe	96,885	6.42	73,924	5.31
	Oceania	—	—	115	0.01
	Sub-total	742,933	49.26	750,495	53.89
Domestic Sales		765,121	50.74	642,080	46.11
Total		1,508,054	100.00	1,392,575	100.00

Note: To present the figures of the Company.

Unit: NT\$ Thousand

Region \ Year		2020		2021	
		Amount	Percentage (%)	Amount	Percentage (%)
Export Sales	America	2,213,506	14.58	1,599,246	10.30
	Europe	3,110,121	20.49	3,509,222	22.60
	Other	9,093,016	59.90	9,777,250	62.98
	Sub-total	14,416,643	94.97	14,885,718	95.88
Domestic Sales		762,800	5.03	639,183	4.12
Total		15,179,443	100.00	15,524,901	100.00

Note: To present the consolidated figures of the Company.

#### 2. Overview of Supply and Demand and Projected Growth

##### (1) IP Cameras and IoT

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

Competition in the IP camera market has heated up. Various brands have successively launched AI wireless IP cameras with intelligent video analysis functions. With the affordable prices, the rise of mobile phones and various cloud applications and services, and the increased awareness of security surveillance, the compound annual growth rate in the market remains high. As the demand for work-from-home connectivity and remote monitoring grows, the wave of replacement of cloud applications and devices continues, and the deployment of broadband infrastructure and LTE/5G commercial networks in developing countries is expected to continue to grow in the next few years.

Over the past few years, the Company has invested its resources in integrating various advanced technologies to make its product lines more complete. In 2022, the Company, based on the past experiences, will re-plan more user-friendly products, equipped with a series of IoT devices, strengthen product security, and provide a cloud platform to be integrated with third-party software applications, while introducing a service business model to avoid competition in hardware specifications

and prices.

## **(2) Switches**

In recent years, the enterprise switch market has been affected by the global economic stagnation, and the low capital expenditure budget has made the growth of the smart switch market increasingly slow down. There is a clear trend of low-priced smart switches replacing high-priced managed switches. Meanwhile, the demand for enterprise virtual servers, IT outsourcing, and enterprise or public Wi-Fi AP deployment and expansion has resulted in the substantial growth of smart and PoE switches. On the whole, the supply and demand of the SMB switch market have showed a moderate growth.

With the emergence of data centers, public/private clouds, 5G mobile broadband, IoT, e-sports, AI, edge computing applications, etc., the demand for network bandwidth is bound to surge; the growth momentum in the switch market, which is the backbone of the network, also remains positive.

## **(3) Routers**

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

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

Due to the limited bandwidth of copper wires, global telecom companies have turned to optical fiber networks in response. However, the previous generation of 2.5Gbps GPON optical fiber network cannot meet the demand, and the new generation of 10Gbps will gradually mature. A market research estimates that the market share of 10G PON will reach 55% by 2023, and the compound annual growth rate will reach 195% from 2019 to 2023. The company has developed in the wired broadband market for nearly two decades and has established long-term close cooperative relationships with major telecom companies around the world. It will seize the opportunity arising from the rise of 10G PON to grasp the business opportunities from telecom transformation.

## **(4) 5G**

The Company's LTE routers have been shipped in large quantities to telecom companies in various countries. With the advent of the 5G era, in addition to continuing to work closely with telecom companies on 5G routers, the Company collaborates with SI to promote the routers to the vertical application market. The Company has also invested in relevant new technologies, such as 5G small cell/MEC, and actively integrated third-party software resources to provide solutions for



application scenarios. In the face of the 5G era, the Company will cope in a cautious manner.

### **3. Competitive Niche**

- (1) The Company's leading cloud service platforms and the continuous launch of cutting-edge innovative products have led to product differentiation and market segmentation.
- (2) The overall networking product lines are complete, and core advantages can be created with solutions and service business models.
- (3) The Company has well-established marketing and service channels around the world, with the advantages of instant local services and production as well as customization.
- (4) We work with the world's first-class service telecom providers to create market segmentation.

### **4. Favorable and Unfavorable Factors for Long-term Growth and Countermeasures**

#### **(1) Favorable Factors**

##### **A. The Global Networking Market has Development Potential**

According to a report by Cisco, a leading company in networking industry, the global Internet population will increase from 3.9 billion to 5.3 billion from 2018 to 2023, with a compound annual growth rate of 6%. During this period, global mobile subscribers will increase by 600 million, and networked devices will increase by 10.9 billion units. The networking industry and market are booming with unlimited business opportunities.

##### **B. The Company will Work Closely with Upstream Chip Suppliers to Highlight Brand Value with Differentiated Software**

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

##### **C. Global Operations and Local Services**

D-Link has established subsidiaries and nearly 100 sales offices in more than 50 countries around the world, while integrating global resources to provide local services.

##### **D. Flexible and Efficient Supply Chains**

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

##### **E. Keeping Abreast of Customer Needs**

We can create a smart home environment with mydlink as a platform, a smart enterprise environment with Nuclias as a platform, and a smart industrial environment with DECS as a platform to further provide customers with the best application services.

##### **F. Cross-industry Strategic Alliance**

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

## (2) Unfavorable Factors

### A. Intense Market Competition and Price-undercutting Pressure

New competitors are gradually entering the market, leading to a price war, which will affect the Company's profit.

#### Countermeasures:

- a. To reduce prices with large quantities by reducing the number of suppliers and reducing the number of product models to concentrate on a few ones.
- b. Reduce the distribution levels, investment in e-commerce, strengthen branches' ability to serve customers, and replace the low-price competition with the overall service quality.
- c. Develop a series of high value-added products, such as EAGLE Pro AI, provide differentiated products, create market segmentation, and break away from the price competition.
- d. Master the core networking technology to improve product quality and respond to market demand quickly.

### B. Unstable Chip Supply and Soaring Shipping Costs

Chip supply is limited by upstream suppliers' production capacity and tight container shipping capacity. It is difficult to control the delivery schedule and inventory of front-end orders.

#### Countermeasures:

- a. Respond to any unexpected market events through a flexible supply chain management.
- b. Seek multiple product partners to avoid a situation where a few manufacturers' delays in manufacturing process affects the Company's delivery schedule.
- c. Keep adequate inventory of critical components to avoid shortage of materials. Set up a logistics hub to manage critical products to increase flexibility.

### C. Market Shrinkage by Geopolitical Tensions and Inflation

The conservative consumption behavior caused by wars due to geopolitical tensions and inflation will affect the 2022 targets to be achieved.

#### Countermeasures:

Closely monitor market changes with overseas branches and adjust supply and demand in time.

## (II) Major Uses and Production Process of the Major Products

### 1. Key Applications of Major Products

Major Products	Key Applications
Switches	Relieving network bandwidth to achieve the purpose of fast data transmission.
Internet Equipment	Connecting and integrating multiple devices between different networks.
Digital Subscriber Line Devices	Providing broadband access to telephone lines.
Wireless Network Equipment	Local area network composed of wireless transmission technology.
Home Network Equipment	Providing home computer and peripheral network equipment through the Internet and telephone lines.

<b>Digital Home Appliances</b>	Providing home digital devices and wireless home security automatic control devices for audio-visual multimedia applications.
<b>Network Security Equipment</b>	Providing network transmission security.
<b>Optical Access Equipment</b>	Relieving the network bandwidth to achieve the purpose of data security and fast transmission.

## 2. Production Process of Major Products

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

### (III) Supply of Primary Raw Materials

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

### (IV) Information on Major Suppliers and Clients

1. Information of important suppliers and clients in the most recent two years:

The consolidated Company did not have any clients whose individual amount accounted for more than 10% of the total sales revenue in 2021 and 2020.

2. Major suppliers in the most recent two years:

Unit: NT\$ Thousand

Item	2020				2021			
	Name	Amount	Percentage of Purchase Amount (%)	Relationship with the Issuer	Name	Amount	Percentage of Purchase Amount (%)	Relationship with the Issuer
1	Cameo Communications, Inc.	1,445,981	15	The Company is an Institutional Director of the supplier	Company H	1,367,433	11	—
2	Alpha Networks Inc.	1,399,422	14	Affiliated companies of the Company (Note 3)	Alpha Networks Inc.	1,197,765	10	—
3	Company H	1,009,207	10	—	Cameo Communications, Inc.	1,043,972	9	Affiliated companies of the Company
4	Other	6,026,861	61	—	Other	8,491,540	70	—
	<b>Net purchase</b>	<b>9,881,471</b>	<b>100</b>	—	<b>Net purchase</b>	<b>12,100,710</b>	<b>100</b>	—

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

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

Note 2: Only the consolidated figures are demonstrated.

Note 3: The Company sold all the shares of Alpha Networks Inc. on November 30, 2020, and then became a non-related party.

**(V) Production Volume and Amount in the Most Recent Two Years: Not applicable.**

**(VI) Shipments and Sales in the Most Recent Two Years**

Unit: NT\$ Thousand

Annual Sales Value and Volume Major Products	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
<b>Networking Products</b>	495,007	724,647	38,529,917	14,292,115	368,960	604,680	33,269,917	14,759,827
<b>Service Revenue</b>	—	38,153	—	124,528	—	34,503	—	125,891
<b>Total</b>	495,007	762,800	38,529,917	14,416,643	368,960	639,183	33,269,917	14,885,718

Remarks: Only the consolidated operating figures of the Company are demonstrated.

**III. Number of Employees During the Most Recent Two Years**

Year		2020	2021	As of March 31, 2022
Number of Employees	Direct Labor	0	0	0
	Indirect Labor	717	555	508
	Total	717	555	508
Average Age		38.60	39.78	41.25
Average Years of Service		6.36	6.73	7.69
Education Distribution Ratio (%)	Ph. D	0.84	0.54	0.59
	Master	35.43	34.05	30.91
	Bachelor	60.66	52.25	66.14
	High school	3.07	12.43	2.36
	Below high school	0	0	0

**IV. Environmental Protection Expenditures**

**The Total Amount of Losses (Including Compensation) and Penalties Caused by Environment Pollution in the Most Recent Year up to the Printing Date of this Annual Report: None.**

**V. Labor Relations Management**

**(I) Implementation of Employee Welfare System**

**1. Employee Welfare Measures**

In addition to employee insurance in accordance with the government's regulations, the Company provides free employee group insurance and family preferential group insurance, so that employees can work without worries. In order to improve employees' health and well-being, the Company not only provides comfortable and novel workplace in the Neihu office but also sets up an employee restaurant, coffee bar, outdoor coffee shop, vending machines, employee lounge and employee fitness center, basketball court, aerobics dance classroom, and various fitness equipment for employees. D-Link Employee Welfare

Committee are responsible for various employee benefit services, such as: It subsidizes employees to establish clubs and organize various club activities and holds small- and medium-sized activities in the Company to build employees' consensus; each employee can apply for a birthday subsidy every quarter, which can be used for gatherings or afternoon tea at the department; it provides subsidies for wedding, childbirth, funeral, hospitalization, emergency assistance, etc.; the Company provides employees with cash gifts on three major holidays and birthday gifts.

## **2. Continuing Education and Training**

The Company arranges education and training for new employees and on-the-job training every year. The new employee training includes the introduction to the Company and our products and occupational safety training in compliance with laws and regulations, so that they can have a better understanding of the Company. In 2021, we offered new employee training three times with a total of 95 participants. The on-the-job training includes internal and external training. The internal training includes courses on ethical management of corporate governance or rule of law, or professional training provided by each unit. We evaluate the categories of courses to be offered every year to enhance employees' professional knowledge and skills (hard power) or communication and coordination skills (soft power). Meanwhile, the Company provides subsidies for external training to motivate employees to continue to learn. The number of applicants for external training in 2021 was 38. The Company announces information on academic institutions' courses or other courses for continuing education from time to time, to keep employees informed of relevant information.

## **3. Retirement System**

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

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

## **4. Labor-management Agreements**

As the Company has attached great importance to labor-management harmony and employee' rights and benefits since the establishment, our labor-management relations have been harmonious and positive. We hold labor-management meetings regularly every quarter to discuss labor-management issues and reach consensus through thorough communication.

We held four labor-management meetings at the Company's Neihu office building and three at the Hsinchu office in 2021. The motions were all passed by the votes of representatives of both employer and employees.

\*Time/date and motions of labor-management meetings in the Neihu office building:

Date/Time of Meeting	Meeting Agenda
15:30, March 12, 2021 (Friday)	[Motion 1] Employees' traffic safety education and group purchase of scooter protective equipment [Motion 2] Installation of electric vehicle charging stations [Motion 3] Insufficient snack bars in the pantry room and increase in snack vending machines [Motion 4] Paid leave for social charity activities [Motion 5] Replacement or regular cleaning of partitions in cafeteria
9:30, June 23, 2021 (Wednesday)	[Motion 1] Amendment to the Work Rules [Motion 2] Check in through online check-in app with employee number [Motion 3] Inclusion of anti-pandemic medical insurance in the Company's group insurance [Motion 4] Inclusion of vaccination insurance in the Company's group insurance [Motion 5] The criterion for returning to work at the Company after the end of the pandemic: those who took a daily rapid test or those who were vaccinated [Motion 6] Advice to the Company to face the new normal of work from home honestly
9:30, September 28, 2021 (Tuesday)	[Motion 1] Amendment to the Work Rules [Motion 2] 2022 business calendar
10:00, December 22, 2021 (Wednesday)	[Motion 1] Amendment to the Work Rules [Motion 2] 2022 employees' group insurance

\*Time/date and motions of labor-management meetings in the Hsinchu office:

Date/Time of Meeting	Meeting Agenda
15:30, March 25, 2021 (Wednesday)	[Motion 1] Meal subsidy issue
15:00, June 22, 2021 (Tuesday)	[Motion 1] Formulation of (amendment to) the Work Rules
14:00, October 05, 2021 (Tuesday)	[Motion 1] Formulation of (amendment to) the Work Rules [Motion 2] 2022 business calendar

## 5. Protection Measures for Employees' Rights and Interests

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

In addition, the Company has set up internal complaint channels, and employees can file complaints through the channels below:

**Complaint hotline:** (02) 6600-0123 ext.1850

**Complaint mailbox:** A complaint may be placed in the complaint mailbox next to the HRD mailbox of the Human Resources Department on the 1st floor of the Company or mailed to D-Link850 employee complaint mailbox at (114) No. 289, Xinhua 3rd Road, Neihu District, Taipei City.

**Complaints email:** [dlink850@dlinkcorp.com](mailto:dlink850@dlinkcorp.com)

## **6. Protection Measures for Work Environment and Employees' Personal Safety**

In addition to following the regulations and guidelines of the central competent authority, the Company has passed the certification of the ISO9001 quality management system (the certificate is valid from Nov. 1, 2019, to Nov. 1, 2022), ISO 14001 environmental management system (the certificate is valid from Oct. 29, 2021, to Oct. 29, 2024), and the latest version of the ISO45001 occupational safety and health management system (the certificate is valid from Jan. 31, 2019, to Jan. 30, 2022). Through the certification by these professional organizations, the Company's environmental maintenance and employees' safety and health management at work are strengthened to achieve the protection of the work environment and employees' personal safety and health. Relevant operations are as follows:

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

**(II) Any Losses Incurred as a Result of Labor Disputes in the Most Recent Fiscal Year, and During the Current Fiscal Year up to the Publication Date of the Annual Report (Including any Violations of the Labor Standards Act found in Labor Inspection, the Disposition Dates, Reference Numbers, the Articles Of Law Violated, the Contents of Law Violated, and the Content of the Dispositions), and an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Countermeasures Being or to be Taken Shall be Disclosed. If a Reasonable Estimate Cannot be Made, an Explanation Shall be Provided: None.**

## **VI. Cybersecurity Risk Management Framework:**

**(I) Information and Communications Security Management Structure,**

## Information and Communications Security Policy, Substantial Management Proposals, and Resources Invested in Information and Communications Security Management.

### 1. Information and Communications Security Management Structure

#### (1) Information Security Governance Organization of D-Link

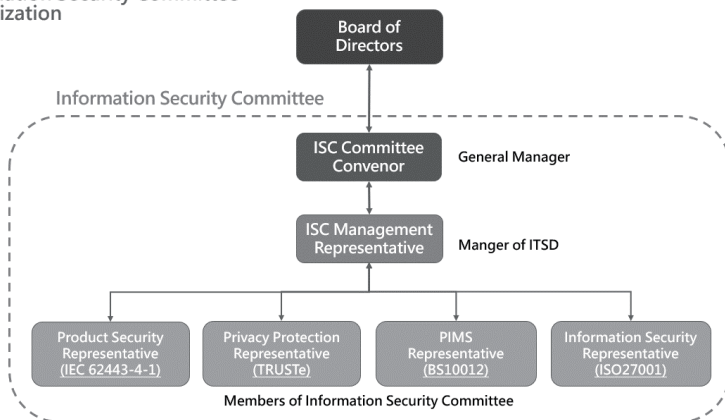
The Company has established the Information Security Management Committee in 2021, with the President as the convener to supervise the implementation of the Company's information security policy. To keep abreast of the information and communication security, we, in compliance with the ISO27001: 2013 information security management system standard and the Regulations Governing Establishment of Internal Control Systems by Public Companies, assign the Information Technology and Security Department to be dedicated to information security and the head of the department to serve as the representative of information security management, coordinating the formulation and execution of information security and protection policies, risk management, and compliance audit. Each information security business-related unit (product, personal data, privacy, etc.) assigns its information security representative to regularly convene information security meetings to discuss information security policies and other relevant major issues and supervise the company-wide operations of information security and the effectiveness of the information security risk management mechanism, while this organization regularly reports to the Board of Directors on the effectiveness of the overall operations and systems.

The Board of Directors has adopted the "Information Security Management Policy" on February 22, 2022. We ensure the confidentiality, integrity, availability, and legality of our information assets through regular annual inspections.

#### (2) Information Security Organizational Structure of D-Link

##### D-Link Corporation

##### Information Security Committee Organization



### 2. Information and Communications Security Policy



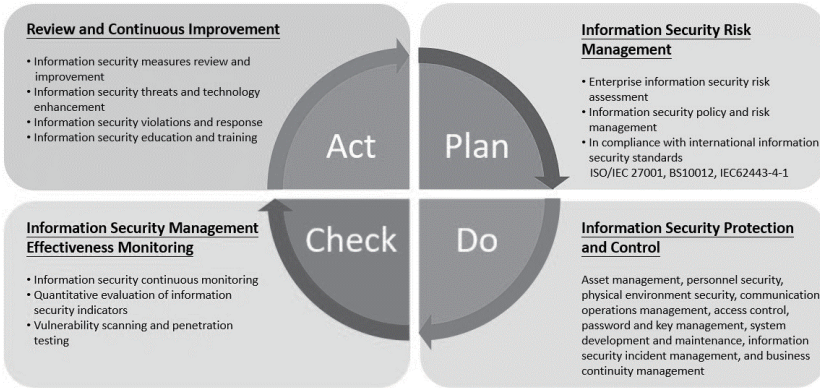
## **(1) Information Security Management Strategy and Framework of D-Link**

- A. The Company has passed the ISO/IEC 27001:2013 Information Security Management System (ISMS) international standard certification. The certificate is valid from October 16, 2020, through October 15, 2023. The adoption of the ISO27001 information security management system has strengthened the ability to respond to information security incidents, thereby protecting the Company's and customers' asset security.
- B. The Company has passed the IEC62443-4-1:2018 Secure Product Development Lifecycle Requirements, and the certificate is valid from November 30, 2020, through November 29, 2025. With that, we follow the strictest security standards from product design, development, testing to introduction in the product life cycle.
- C. The Company has passed the BS 10012:2017 Personal Information Management System (PIMS), and the current certificate is valid from December 1, 2021, to November 30, 2024, regulating all relevant procedures and applicable documents in addition to the compliance with the EU General Data Protection Regulation (GDPR) requirements.
- D. The Company has obtained the TRUSTe Certified Privacy seal in March 2022. To duly fulfill our commitment to privacy protection and security, we have been working closely with TrustArc Inc., a globally recognized authority on data privacy management, since 2014. It provides services, including privacy assessment, certification, and monitoring tools. Our website open to the public and domain have passed its audit and certification, and we have thus obtained the TRUSTe Certified Privacy seal.

## **(2) Corporate Information Security Risk Management and Continuous Improvement Framework**

The Company has long been focusing on the development of network equipment and services. Information security is one of the critical tasks to which the Company attaches great importance and pays attention. Employees, organizations, suppliers, and operations-related information, and hardware and software equipment are all within the scope of concern. The Company, in compliance with ISO27001:2013 information security management system standard, formulate information security policies, strengthens information security management and ensures that important information assets are protected from internal, external, intentional, or accidental threats to maintain the confidentiality, integrity, and availability of our information. Through information assets and risk management procedures, we have built and maintained the Company's crucial information assets based on a Plan-Do-Check-Act model to ensure the continuous operations of the Company's business, reduce business risks, improve service quality, and ensure that all information security policies, procedures, and operating guidelines can be consistently and effectively implemented in the Company.

## Risk Management and Continuous Improvement Structure for Information Security



### 3. Specific Management Plans

#### (1) Information Security Protection and Control

Network Security	<ul style="list-style-type: none"> <li>Adopt advanced technology to scan computers and update software, strengthen software firewalls and computer control, and prevent the spread of computer viruses.</li> </ul>
Device Security	<ul style="list-style-type: none"> <li>Improve the endpoint anti-virus and virus scan mechanism to prevent ransomware and malicious programs from intruding into the Company.</li> <li>Strengthen the detection of malware and Trojan horse attachments for our email system.</li> </ul>
Application Security	<ul style="list-style-type: none"> <li>Develop security checks, evaluation standards, and improvement goals for application development processes.</li> <li>Continue to enhance the security control mechanism for applications and patch potential loopholes.</li> </ul>
Access Control	<ul style="list-style-type: none"> <li>Establish a user password management mechanism and a network security service mechanism, separate internal network from external connection, and control remote work, to safeguard network and data security.</li> </ul>
Password Key Management	<ul style="list-style-type: none"> <li>To ensure the confidentiality of the Company's system operations and accounts, conduct necessary password and key management, minimize the risk of leakage, and properly protect the Company's confidential and sensitive information.</li> </ul>
Business Continuity Management	<ul style="list-style-type: none"> <li>Establish a business continuity operation plan for important systems and hold exercises annually to ensure the continuous operation of the Company's business.</li> </ul>
Information Security Incident Management	<ul style="list-style-type: none"> <li>Establish information security incident notification and response procedures to reduce the damage caused by information security incidents.</li> </ul>

#### (2) Check and Continuous Improvement

Education And Training	<ul style="list-style-type: none"> <li>Increase employees' vigilance against email social engineering attacks and implement phishing email defense and detection.</li> </ul>
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	<ul style="list-style-type: none"> <li>■ Regularly hold business continuity exercises to increase employees' awareness of information security.</li> </ul>
Information Security Risk Management Monitoring	<ul style="list-style-type: none"> <li>■ Entrust a third party to regularly conduct assessments of the Company's information security: ISO/IEC 27001: 2013 information security management system IEC 62443-4-1: 2018 product security development system certification BS 10012: 2017 personal data protection management system</li> </ul>
External Threat Detection Protection	<ul style="list-style-type: none"> <li>■ Entrust a third party to perform vulnerability scans on a regular basis, collect external threat information on a regular basis, and conduct risk assessments based on the information content to strengthen protection against external information security threats.</li> <li>■ The Company has joined the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) to regularly collect external threat information and conduct risk assessment based on the information content. Our information security personnel confirm and track the results of processed various information, thereby strengthening the protection against external information security threats.</li> </ul>

#### 4. Resources Invested in Information and Communications Security Management

In 2021, the Company passed three international information security certifications, namely ISO/IEC 27001: 2013 information security management system, IEC 62443-4-1: 2018 product security development system, and BS 10012:2017 personal data protection management system.

The Company has held more than 20 meetings on information security. We publish information security educational information for all employees on our internal website every quarter. In addition, one dedicated employee at the information security unit and seven information security and network management and operations assistants receive at least 24 hours of professional information security training every year.

**(II) Any Losses Incurred as a Result of Major Information and Communications Safety Incident in the Most Recent Fiscal Year and Current Fiscal Year up to the Publication Date of the Annual Report, and an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Countermeasures Being or to be Taken Shall be Disclosed. If a Reasonable Estimate cannot be Made, an Explanation shall be Provided:**

1. The Company passed the ISO/IEC 27001: 2013 information security audit in September 2021. There were no major defects identified in the information security audit, nor significant information security incidents, such as violations of information security, leakage of customer data, or fines taking place.

2. The Company passed the BS 10012: 2017 data protection audit in December 2021. There were no major defects identified in the personal data protection audit, nor significant information security incidents, such as violation of information security and personal data protection, leakage of customers' and employees' data, or fines taking place.

In addition, there was no case of complaint, leading to a legal action taken by a third party or a competent authority against D-Link Corporation, for violation of customers' personal data protection or the loss of customers' data.

**VII. Important Contracts: None.**

## Chapter 6 Financial Highlights

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

#### (I) Condensed Individual Balance Sheet–Based on IFRS

Unit: NT\$ Thousand

Item	Year	Most Recent Five-Year Financial Information (Note 1)				
		2017	2018	2019	2020	2021
<b>Current Assets</b>		1,370,935	1,487,687	987,330	2,243,494	766,388
<b>Property, Plant, and Equipment (Note 2)</b>		808,375	751,255	745,800	752,385	727,507
<b>Intangible Assets</b>		130,068	151,887	122,932	74,300	45,462
<b>Other Assets</b>		11,071,928	10,982,572	10,200,988	8,878,933	9,424,327
<b>Total Assets</b>		13,381,306	13,373,401	12,057,050	11,949,112	10,963,684
<b>Current Liabilities</b>	<b>Before Distribution</b>	3,436,322	3,452,468	2,718,198	1,731,164	1,373,995
	<b>After Distribution</b>	3,436,322	3,582,867	2,718,198	1,926,763	1,553,946
<b>Non-current Liabilities</b>		942,920	721,446	865,438	958,453	1,112,331
<b>Total liabilities</b>	<b>Before Distribution</b>	4,379,242	4,173,914	3,583,636	2,689,617	2,486,326
	<b>After Distribution</b>	4,379,242	4,304,313	3,583,636	2,885,216	2,666,277
<b>Equity Attributable to Owners of the Parent</b>		9,002,064	9,199,487	8,473,414	9,259,495	8,477,358
<b>Share Capital</b>		6,519,961	6,519,961	6,519,961	6,519,961	5,998,365
<b>Capital Surplus</b>		1,588,696	1,669,905	1,598,807	1,523,313	1,522,573
<b>Retained Earnings</b>	<b>Before Distribution</b>	1,904,127	2,324,141	1,759,933	2,825,412	2,822,455
	<b>After Distribution</b>	1,904,127	2,258,942	1,759,933	2,629,813	2,822,455
<b>Other Equity Interest</b>		(992,808)	(1,314,520)	(1,405,287)	(1,606,191)	(1,866,035)
<b>Treasury Stock</b>		(17,912)	—	—	—	—
<b>Non-controlling Interest</b>		—	—	—	—	—
<b>Total Equity</b>	<b>Before Distribution</b>	9,002,064	9,199,487	8,473,414	9,259,495	8,477,358
	<b>After Distribution</b>	9,002,064	9,069,088	8,473,414	9,063,896	8,297,407

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

Note 2: If an asset has been re-appraised in the year, the date of the re-appraisal, and the re-appraised shall be indicated.

Note 3: The above-mentioned figures after distribution shall be entered according to the resolution by the Board of Directors or the shareholders' meeting in the following year.

Note 4: If the financial data should be corrected or restated again as notified by the competent authority, the corrected or restated figures should prevail, and the circumstances and reasons should be indicated.

**(II) Condensed Individual Income Statement—Based on IFRS**

Unit: NT\$ Thousand

Item \ Year	Most Recent Five-Year Financial Information (Note 1)				
	2017	2018	2019	2020	2021
<b>Operating Revenue</b>	1,813,707	1,726,707	1,701,547	1,508,054	1,392,575
<b>Gross Profit</b>	1,097,498	1,077,499	902,899	868,868	871,694
<b>Operating Profit (Loss)</b>	(152,985)	(263,323)	(427,246)	(628,024)	(332,301)
<b>Non-operating Income and Expenses</b>	(97,073)	380,575	(86,309)	1,942,807	570,833
<b>Profit (Loss) Before Tax</b>	(250,058)	117,252	(513,555)	1,314,783	238,532
<b>Net Profit (Loss) from Continuing Operations</b>	(193,451)	106,374	(508,327)	1,239,925	239,197
<b>Loss from Discontinued Operations</b>	—	—	—	—	—
<b>Net Profit (Loss)</b>	(193,451)	106,374	(508,327)	1,239,925	239,197
<b>Other Comprehensive Income (Income After Tax)</b>	(215,719)	(92,412)	(77,652)	(199,443)	(304,130)
<b>Total Comprehensive Income</b>	(409,170)	13,962	(585,979)	1,040,482	(64,933)
<b>Net Income Attributable to Owners of the Parent</b>	(193,451)	106,374	(508,327)	1,239,925	239,197
<b>Net Income Attributable to Non-controlling Interests</b>	—	—	—	—	—
<b>Total Comprehensive Income Attributable to Owners of the Parent</b>	(409,170)	13,962	(585,979)	1,040,482	(64,933)
<b>Total Comprehensive Income Attributable to Non-controlling Interests</b>	—	—	—	—	—
<b>Earnings Per Share</b>	(0.30)	0.16	(0.78)	1.90	0.38

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

Note 2: As of the publication date of this annual report, if a company whose stock has been listed or traded over the counter has the most recent financial data that has been audited and attested or reviewed by a CPA, it should also be disclosed.

Note 3: Loss from discontinued operations are shown in net of income tax.

Note 4: If the financial data should be corrected or restated again as notified by the competent authority, the corrected or restated figures should prevail, and the circumstances and reasons should be indicated.

**(III) Consolidated Condensed Balance Sheet—Based on IFRS**

Unit: NT\$ Thousand

Year		Most Recent Five-Year Financial Information (Note 1)				
		2017	2018	2019	2020	2021
<b>Current Assets</b>		11,584,444	12,329,689	10,161,487	12,551,922	10,109,933
<b>Property, Plant, and Equipment</b>		1,212,232	1,101,557	1,081,754	1,029,671	974,725
<b>Intangible Assets</b>		603,109	622,270	586,308	511,329	472,238
<b>Other Assets</b>		3,804,577	3,553,307	3,881,461	1,857,308	2,946,968
<b>Total Asset</b>		17,204,362	17,606,823	15,711,010	15,950,230	14,503,864
<b>Current Liabilities</b>	<b>Before Distribution</b>	7,406,818	7,663,344	5,937,479	5,346,116	4,589,921
	<b>After Distribution</b>	7,406,818	7,793,743	5,937,479	5,541,715	4,769,872
<b>Non-current Liabilities</b>		389,774	326,547	847,492	863,759	911,607
<b>Total Liabilities</b>	<b>Before Distribution</b>	7,796,592	7,989,891	6,784,971	6,209,875	5,501,528
	<b>After Distribution</b>	7,796,592	8,120,290	6,784,971	6,405,474	5,681,479
<b>Equity Attributable to Owners of the Parent</b>		9,002,064	9,199,487	8,473,414	9,259,495	8,477,358
<b>Share Capital</b>		6,519,961	6,519,961	6,519,961	6,519,961	5,998,365
<b>Capital Surplus</b>		1,588,696	1,669,905	1,598,807	1,523,313	1,522,573
<b>Retained Earnings</b>	<b>Before Distribution</b>	1,904,127	2,324,141	1,759,933	2,825,412	2,822,455
	<b>After Distribution</b>	1,904,127	2,258,942	1,759,933	2,629,813	2,822,455
<b>Other Equity Interest</b>		(992,808)	(1,314,520)	(1,405,287)	(1,609,191)	(1,866,035)
<b>Treasury Stock</b>		(17,912)	—	—	—	—
<b>Non-controlling Interest</b>		405,706	417,445	452,625	480,860	524,978
<b>Total Equity</b>	<b>Before Distribution</b>	9,407,770	9,616,932	8,926,039	9,740,355	9,002,336
	<b>After Distribution</b>	9,407,770	9,486,533	8,926,039	9,544,756	8,822,385

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

#### (IV) Consolidated Condensed Income Statement—Based on IFRS

Unit: NT\$ Thousand

Item \ Year	Most Recent Five-Year Financial Information (Note 1)				
	2017	2018	2019	2020	2021
Operating Revenue	19,316,079	19,383,203	16,996,048	15,179,443	15,524,901
Gross Profit	5,198,754	5,601,988	4,739,532	4,775,295	4,188,757
Operating Profit (Loss)	(457,690)	248,971	(384,756)	80,226	169,868
Non-operating Income and Expenses	332,462	48,426	95,203	1,416,500	224,855
Profit (Loss) Before Tax	(125,228)	297,397	(289,553)	1,496,726	394,723
Net Profit (Loss) from Continuing Operations	(172,082)	145,453	(441,741)	1,310,560	318,111
Loss from Discontinued Operations	—	—	—	—	—
Net Profit (Loss)	(172,082)	145,453	(441,741)	1,310,560	318,111
Other Comprehensive Income (Income After Tax)	(224,928)	(115,769)	(97,830)	(235,153)	(327,143)
Total Comprehensive Income	(397,010)	29,684	(539,571)	1,075,407	(9,032)
Net Income Attributable to Owners of the Parent	(193,451)	106,374	(508,327)	1,239,925	239,197
Net Income Attributable to Non-controlling Interests	21,369	39,079	66,586	70,635	78,914
Total Comprehensive Income Attributable to Owners of the Parent	(409,170)	13,962	(585,979)	1,040,482	(64,933)
Total Comprehensive Income Attributable to Non-controlling Interests	12,160	15,722	46,408	34,925	55,901
Earnings Per Share	(0.30)	0.16	(0.78)	1.90	0.38

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

#### (V) Information on CPAs in the Most Recent Five Years and the Audit Opinion

Year	Name of CPA	Audit Opinion
2017	Pao-Lien Chou and Chiu-Hua Hsieh	Unmodified opinion (Matters of emphasis or other matters)
2018	Pao-Lien Chou and Chiu-Hua Hsieh	Unmodified opinion (Matters of emphasis or other matters)
2019	Pao-Lien Chou and Chiu-Hua Hsieh	Unmodified opinion (Matters of emphasis or other matters)
2020	Pao-Lien Chou and Chiu-Hua Hsieh	Unmodified opinion (Matters of emphasis or other matters)
2021	Chiu-Hua Hsieh and Pao-Lien Chou	Unmodified opinion (Matters of emphasis or other matters)



## II. Financial Analysis in the Most Recent Five Years

### (I) Comprehensive Analysis of Individual Financial Information (IFRS):

Item (Note 3)		Financial Analyses for the Past Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt Ratio	32.73	31.21	29.72	22.51	22.68
	Ratio of Long-Term Capital to Property, Plant, and Equipment	1,113.60	1,224.55	1,136.15	1,230.69	1,165.26
Solvency (%)	Current Ratio	39.90	43.09	36.32	129.59	55.78
	Quick Ratio	37.04	39.01	31.18	121.11	45.62
	Interest Earned Ratio (times)	(12.31)	7.24	(42.18)	148.76	42.79
Operating Performance	Trade Receivables Turnover (times)	5.27	7.60	6.27	5.33	5.65
	Average Collection Period	69.25	48.02	58.21	68.48	64.60
	Inventory Turnover (times)	6.01	6.24	6.20	4.39	4.07
	Trade Payables Turnover (times)	3.22	3.82	3.60	3.22	3.79
	Average Days in Sales	60.73	58.49	58.87	83.14	89.68
	Property, Plant, and Equipment Turnover (times)	2.21	2.21	2.27	2.01	1.88
	Total Assets Turnover (times)	0.13	0.13	0.13	0.13	0.12
Profitability Analysis	Return on Total Asset (%)	(1.24)	0.88	(3.92)	10.39	2.13
	Return on Stockholders' Equity (%)	(2.09)	1.17	(5.75)	13.98	2.70
	Pre-tax Income to Paid-In Capital	(3.84)	1.80	(7.88)	20.17	3.98
	Profit Ratio (%)	(10.67)	6.16	(29.87)	82.22	17.18
	Earnings Per Share (NT\$)	(0.30)	0.16	(0.78)	1.90	0.38
Cash Flow	Cash Flow Ratio (%)	11.37	10.82	13.93	Note 2	Note 2
	Cash Flow Adequacy Ratio (%)	46.55	44.68	90.47	53.58	24.13
	Cash Reinvestment Ratio (%)	1.82	3.48	2.43	Note 2	Note 2
Leverage	Operating Leverage	0.14	0.56	0.72	0.83	0.69
	Financial Leverage	0.89	0.95	0.97	0.99	0.98

#### Analysis of Financial Ratio Difference in the Most Recent Two Years

1. Decrease in current ratio and quick ratio: Mainly due to decrease in cash and cash equivalents greater than that in current liabilities.
2. Decrease in interest earned ratio (times): Mainly due to decrease in earnings before interest and tax decreased in 2021.
3. Decrease in return on total asset, return on stockholders' equity, pre-tax income to paid-in capital, profit ratio, and earnings per share: Mainly due to decrease in net income before tax and net income after tax decreased in 2021.
4. Decrease in cash flow adequacy ratio: Mainly due to decrease in cash flow from operating activities in the most recent five years.

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

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

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

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

Item (Note 3)		Year	Financial Analyses for the Past Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	45.32	45.38	43.19	38.93	37.93	
	Ratio of Long-term Capital to Property, Plant, and Equipment	776.07	873.03	825.14	945.97	923.58	
Solvency (%)	Current Ratio	156.40	160.89	171.14	234.79	220.26	
	Quick Ratio	111.29	117.27	120.08	185.03	141.21	
	Interest Earned Ratio (times)	(4.59)	13.33	(6.16)	53.92	16.24	
Operating Performance	Trade Receivables Turnover (times)	3.84	4.15	4.09	4.37	4.65	
	Average Collection period	95.05	87.95	89.24	83.52	78.49	
	Inventory Turnover (times)	3.28	3.31	3.13	3.13	3.25	
	Trade Payables Turnover (times)	3.91	4.01	3.81	3.68	4.22	
	Average Days in Sales	111.28	110.27	116.61	116.61	112.30	
	Property, Plant, and Equipment Turnover (times)	15.55	16.75	15.57	14.38	15.49	
	Total Assets Turnover (times)	1.06	1.11	1.02	0.96	1.02	
Profitability Analysis	Return on Total Asset (%)	(0.77)	0.90	(2.28)	8.44	2.23	
	Return on Stockholders' Equity (%)	(2.00)	1.12	(5.48)	13.29	2.55	
	Pre-tax Income to Paid-In Capital	(1.92)	4.56	(4.44)	22.96	6.58	
	Profit Ratio (%)	(1.00)	0.55	(2.99)	8.17	1.54	
	Earnings Per Share (NT\$)	(0.30)	0.16	(0.78)	1.90	0.38	
Cash flow	Cash Flow Ratio (%)	0.45	12.77	0.78	17.62	-36.41	
	Cash Flow Adequacy Ratio (%)	18.45	53.93	193.65	251.89	15.61	
	Cash Reinvestment Ratio (%)	Note 2	8.88	Note 2	8.28	Note 2	
Leverage	Operating Leverage	0.10	2.45	0.03	5.18	2.77	
	Financial Leverage	0.95	1.11	0.90	1.54	1.18	

### Analysis of Financial Ratio Difference in the Most Recent Two Years

1. Decrease in quick ratio: Mainly due to decrease in cash and cash equivalents greater than that in current liabilities.
2. Decrease in interest earned ratio (times): Mainly due to decrease in earnings before interest and tax in 2021.
3. Decrease in Return on total asset, return on stockholders' equity, Pre-tax income to paid-in capital, Profit ratio, and earnings per share: Mainly due to the decrease in pre-tax income and net income in 2021.
4. Decrease in cash flow ratio: Mainly due to decrease in net operating cash flows
5. Decrease in cash flow adequacy ratio: Mainly due to decrease in cash flow from operating activities in the most recent five years.
6. Decrease in operating leverage: Mainly due to decrease in the fixed costs in 2021.
7. Decrease in financial leverage: Mainly due to decrease in interest expenses in 2021.

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

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

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

1. Financial structure
  - (1) Debt Ratio = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to property, plant, and equipment = (Shareholders' equity + Noncurrent liabilities)/Net property, plant, and equipment.
2. Solvency
  - (1) Current ratio = Current assets/Current liabilities
  - (2) Quick ratio = (Current assets - Inventories - Prepaid Expenses)/Current liabilities.
  - (3) Interest earned ratio = Earning before interest and tax/Interest expenses.
3. Operating Performance
  - (1) Trade receivable turnover (times) (including accounts receivable and notes receivable from business operations) = Net sales/Average trade receivable (including accounts receivable and notes receivable from business operations).
  - (2) Average collection period = 365/Trade receivables turnover.
  - (3) Inventory turnover = Cost of Sales/Average inventory.
  - (4) Trade Payable turnover (times) (including accounts payable and notes payable from business operations) = Cost of sales/Average trade payable (including accounts payable and notes payable from business operations).
  - (5) Average sales days = 365/Inventory turnover ratio.
  - (6) Property, plant, and equipment turnover = Net sales/Average net property, plant, and equipment.
  - (7) Total assets turnover = Net sales/Average total assets.
4. Profitability Analysis
  - (1) Return on total assets = [Net income + Interest expenses x (1 – effective tax rates)]/Average total assets.
  - (2) Return on stockholders' equity = Net income (loss)/Average total equity.
  - (3) Profit ratio = Net gain (loss) after tax/Net sales.
  - (4) Earnings per share = Net income (loss) attributable to Shareholders of the parent/Weighted average number of shares outstanding. (Note 4)
5. Cash flow
  - (1) Cash flow ratio = Net cash from business activities/Current liabilities.
  - (2) Net cash flow adequacy ratio = Net cash flow for business activities in the most recent five years / (Capital expenses + Additional inventory sum + Cash dividend) in the most recent five years.
  - (3) Cash reinvestment ratio = (Net cash flow from business activities - Cash dividend)/(Gross amount of property, plant, and equipment + Long-term investments + Other non-current assets + Business capital). (Note 5)
6. Leverage
  - (1) Operating leverage ratio= (Net operating revenue - variable operating costs and expenses)/operating income (Note 6).
  - (2) Degree of financial leverage (DFL) = Operating profit/(Operating profit - Interest expenses).

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

1. The calculation shall be based on the weighted average number of ordinary shares, instead of the number of outstanding ordinary shares as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.
3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon

shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

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

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

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

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

### **III. Audit Committee's Audit Report on the 2021 Financial Report**

#### **D-Link Corporation Audit Committee's Audit Report**

The 2021 parent company only financial statements and consolidated financial statements, which were agreed upon the Audit Committee and resolved by the board, were audited by the CPAs Chou, Pao-Lien and Hsieh, Chiu-Hua of KPMG, and a review report was issued.

In addition, the Board of Directors has prepared the Company's 2021 Business Report, and the proposal for earnings appropriation. These have been reviewed and determined by the Audit Committee in accordance with Article 14-4 of the "Securities and Exchange Act" and Article 219 of the "Company Act", I hereby submit this Report.

Best regards

2022 Annual General Shareholders' meeting, D-Link Corporation

Convener of the Auditing Committee: Chen, Chin-Ming

Mar 29, 2022

**IV. Financial Report for the Most Recent Year:**

Please refer to pages 161 to 250 of this annual report.

**V. Individual Financial Report Audited and Attested by CPAs for the Most Recent Year:**

Please refer to pages 251 to 357 of this annual report.

**VI. The Company and its Affiliated Companies Encountered any Financial Difficulties that Affect the Company's Financial Status in the Most Recent Year as of the Publication Date of this Annual Report: None.**

# Chapter 7 Review of Financial Conditions, Financial Performance, and Risk Management

## I. Analysis of Financial Status

Unit: NT\$ Thousand

Item \ Year	2020	2021	Difference	
			Amount	Amount
Current Assets	12,551,922	10,109,933	(2,441,989)	(19)
Property, Plant, and Equipment	1,029,671	974,725	(54,946)	(5)
Intangible Assets	511,329	472,238	(39,091)	(8)
Other Assets	1,857,308	2,946,968	1,089,660	59
Total Assets	15,950,230	14,503,864	(1,446,366)	9
Current Liabilities	5,346,116	4,589,921	(756,195)	(14)
Non-current Liabilities	863,759	911,607	47,848	6
Total Liabilities	6,209,875	5,501,528	(708,347)	(11)
Share Capital	6,519,961	5,998,365	(521,596)	(8)
Capital Surplus	1,523,313	1,522,573	(740)	—
Retained Earnings	2,825,412	2,822,455	(2,957)	—
Other Items of Shareholders' Equity	(1,128,331)	(1,341,057)	(212,726)	19
Total Equity	9,740,355	9,002,336	(738,019)	(8)

Remarks: Only the consolidated operating figures of the Company are demonstrated.

Analysis of changes in increase/decrease ratio exceeding 20%: The increase in other assets for this period compared with 2020 was mainly due to the increase in the investment in equity of associates accounted for using equity method.

## II. Financial Performance

### (I) Analysis of Financial Performance

Unit: NT\$ Thousand

Item \ Year	2020	2021	Increase/Decrease	Change Ratio (%)
Net Operating Revenue	15,179,443	15,524,901	345,458	2
Operating Costs	<u>10,404,148</u>	<u>11,336,144</u>	<u>931,996</u>	9
Gross Profit	4,775,295	4,188,757	(586,538)	(12)
Operating Expenses	<u>4,695,069</u>	<u>4,018,889</u>	<u>(676,180)</u>	(14)
Net Operating Income	80,226	169,868	89,642	112
Non-operating Income and Expenses	<u>1,416,500</u>	<u>224,855</u>	<u>(1,191,645)</u>	(84)
Net Profit Before Tax from Continuing Operations	1,496,726	394,723	(1,102,003)	(74)
Less: Income Tax Expenses	<u>186,166</u>	<u>76,612</u>	<u>(109,554)</u>	(59)
Net Profit	<u>1,310,560</u>	<u>318,111</u>	<u>(992,449)</u>	(76)

Remarks: Only the consolidated operating figures of the Company are demonstrated.

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

1. The increase in operating income in this period was mainly due to the decrease in personnel and marketing expenses compared with the prior period.
2. The decrease in non-operating income, net profit before tax, and net profit after tax in the period was mainly due to the increase in gains on the sale of equity of associates accounted for using equity method in 2020. There was no such non-operating income in this period.
3. The decrease in income tax expenses was mainly due to the deferred tax expense in the prior period and deferred tax benefit in this period.
4. The remaining items are exempted from analysis as the change ratio is within 20%.

**(II) Expected Sales Volume and its Basis, Potential Impact on the Company's Future Financial Operations, and Response Plans Thereof:**  
Please refer to "Letter to Shareholders" from pages 1 to 3.

**III. Cash Flow**

**(I) Change in Cash Flow in the Most Recent Fiscal Year**

Item \ Year	2020	2021	Increase (Decrease) Ratio %
Cash Flow Ratio (%)	17.62	-36.41	-136.41
Cash Flow Adequacy Ratio (%)	251.89	15.61	-84.39
Cash Reinvestment Ratio (%)	8.28	-17.36	-117.36

Remarks: Only the consolidated operating figures of the Company are demonstrated.

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

1. The decrease in cash flow ratio during this period was mainly due to decrease in net operating cash flows in this period.
2. Decrease in cash flow adequacy ratio during this period was mainly due to decrease in cash flow from operating activities in the most recent five years.
3. The decrease in cash reinvestment ratio in this period was mainly due to decrease in net cash flows from operating activities in this period.

**(II) Improvement Plan for Insufficient Liquidity:** The Company does not suffer from insufficient liquidity.

**(III) Cash Liquidity Analysis for the Coming Year (2022):** Not applicable.

**IV. Major Capital Expenditure for the Most Recent Fiscal Year and its Impact on the Company's Finances and Operations:**  
None.

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

- (I) The Company's 2021 parent company-only financial statement recognizes the gain on investment of NT\$583,787 thousand (a gain of NT\$194,513 thousand on a consolidated basis). The main reason for the gain is that the market demand for mobile broadband products and switches increased due to the impact of the COVID-19 pandemic and the commercialization of 5G technology, leading to a



profit for the Company.

- (II) In the future, the Company will continue to perform post-investment management and prudently evaluate our investment plan in alignment with our business development and operational needs, to reinforce our competitiveness in this industry.

## **VI. Risk Management and Assessment for the Most Recent Year as of the Publication Date of this Annual Report**

### **(I) Impacts of Interest Rate, Fluctuation in Exchange Rate, and Inflation on the Company's Profits and Future Response Measures:**

Unit: NT\$ Thousand

Item	2020	2021
Net Interest Income or Expense	6,465	22,617
Net Foreign Exchange Gain and Loss (Note 1)	8,794	(53,809)

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

#### **Countermeasures:**

1. The Company's consolidated net interest income and expenses in 2021 was NT\$22,617 thousand. Because of operational needs, the Company's deposits and loans are mainly in USD and NTD. Our interest income and expenses are mainly affected by fluctuations in interest rates between NTD and USD. The Company will continue to regularly evaluate interest rates on deposit and loan to reduce the risk of interest rate fluctuations.
2. The Company's consolidated exchange loss in 2021 was NT\$53,809 thousand. The Company hedges and monitors its exposures due to the fluctuations of foreign exchange rates prudently to mitigate the impacts on the Company's profit, while adjusting the hedging ratio in a timely manner with reference to the volatility in the foreign exchange market to reduce the foreign exchange risk.
3. Inflation in recent years has not caused a significant impact on the Company's profit or loss. The Company will also continue to monitor the general economic changes and changes in market conditions to prevent inflation from affecting the Company's profit or loss.

### **(II) Policies on High-risk, High-leveraged Investments, Loans to Other Parties, Endorsements, Guarantees, and Derivatives Trading, are the Main Reasons for the Profits or Losses Generated Thereby, and Future Response Measures to be Undertaken:**

The Company is not engaged in high-risk and high-leveraged investments, and based on the principle of effective use of the Group's resources, there are funds lent to subsidiaries and endorsements and guarantees provided to subsidiaries, which are all conducted in accordance with the Company's Procedures for Loaning of Funds to Others, Procedures for Making Endorsements/Guarantees, and relevant laws and regulations. Derivatives trading is aimed at hedging foreign exchange risks and reducing exchange rate fluctuations, and is handled

in accordance with the relevant regulations of the Company's "Handling Procedures for Engaging in Acquisition" or "Disposal of Assets and the Procedures for Derivatives Trading". The implementation and the profit and loss situation are reported to the Board of Directors on a regular basis. All information on aforementioned derivatives trading is disclosed on MOPS on a monthly basis as required for investors' reference.

**(III) Future R&D Projects and R&D Expenditure to be Invested:**

The Company's R&D expenditure in 2022 covers various development projects, including switches, wireless products, and IoT technology, which have been included in the execution project, and extends to solution integration and cloud platform R&D in various fields. The R&D expenditure is estimated to be NT\$592,000 thousand.

**(IV) Impact of Changes of Important Domestic and Foreign Policies and Laws on the Company's Finance and Business, and Response Measures: None.**

**(V) Effects of and Response to Changes in Technology (Including Information and Communication Security Risks) and the Industry Relating to Corporate Finance and Sales:**

The Company has established comprehensive information security protection measures for network and computers but cannot guarantee that the computer systems that control or maintain important corporate functions, including business operations and accounting, are completely immune to cyberattacks from any third-party. The illegal intrusion of the cyberattacks into the Company's internal network system to carry out activities to sabotage the Company's operations and undermine our goodwill. In the event of a severe cyberattack, the Company's system may lose important data, and our operations may be suspended.

We continue to review and evaluate our information security regulations and procedures and reinforce and update the information security protection system to ensure its appropriateness and effectiveness. However, it cannot guarantee that the Company will not be exposed to new risks and attacks amid the ever-changing information security threats.

Cyberattacks may also attempt to steal the Company's trade secrets and other confidential information, such as customers' or other stakeholders' proprietary information and employees' personal data. Malicious hackers may also try to put viruses, destructive software, or ransomware in the Company's network system to interfere with our operations so as to extort money, gain control over our computer system, or spy on our confidential information. These attacks may result in delays or interruptions in our business orders. With that, we may

compensate customers for their losses or bear substantial costs to take remedial and improvement measures to reinforce the Company's cybersecurity systems; or bear significant legal responsibility for relevant legal cases or regulatory investigations due to leakage of data on employees, customers, or third parties to whom the Company has a confidentiality obligation.

To prevent and reduce the damage caused by such attacks, the Company implements relevant improvement measures and continues to update and enhance the anti-virus mechanism to prevent the intrusion of hackers and malicious software; strengthens the network firewall and network control to prevent the spread of viruses across different computers; adopts advanced solutions to detect and deal with malicious software; improves phishing email detection; regularly offers employee education and training and entrusts external experts to conduct information security assessments.

**(VI) Impact of Changes of Corporate Images on Crisis Management and Response Measures: None.**

**(VII) Expected Benefits and Potential Risks in Engaging in Mergers or Acquisitions and Response Measures: None.**

**(VIII) Expected Benefits and Possible Risks in Expanding Plants and Response Measures: None.**

**(IX) Risks Posed by Concentrated Procurement and Sales and Response Measures: None.**

**(X) The Impact on the Company, and Risks Arising from Major Exchange or Transfer of Shares by Directors or Major Shareholders with Over 10% of Shareholdings, and the Response Measures: None.**

**(XI) Effects of, Risks Relating to and Countermeasures to the Changes in Management Rights: None.**

**(XII) For Litigation or Non-litigation cases, major litigations, Non-Litigations, or Administrative Litigations that have been Confirmed or are Still in Trial, in which the Company and its Directors, President, Responsible Persons, Major Shareholders with Over 10% of Shareholdings, or Subordinate Companies are Involved Shall be Specified. Where the Results may Affect the Shareholders' Equity, their Disputed Facts, the Amount of the Subject Matter, the Date of Litigation, the Main Parties Involved in the Litigation, and the handling Situation as of the Printing Date of this Annual Report**

**Shall be Disclosed:**

1. XR Communications, LLC dba Vivato Technologies filed a lawsuit against the Company's subsidiary, D-Link Systems, Inc., in April 2017, alleging that certain D-Link products infringed its patents. D-Link Systems, Inc. has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.
2. UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that certain D-Link products infringed its patents. The Company has retained attorneys to defend the case in collaboration with product suppliers. Based on the evaluation, the Company believes the litigation will not cause a significant impact on its current operations.

**(XIII) Other Material Risks and Response Measures: None.**

**VII. Other Material Matters: None.**

## Chapter 8 Special Disclosure

### I. Relevant Information of the Company's Affiliates

- (I) **Organization Structure of Subsidiaries:** Please refer to page 153 of this annual report.
- (II) **Basic Information of Subsidiaries:** Please refer to pages 154 to 155 of this annual report.
- (III) **Shareholders in Common of the Company and its Subsidiaries with Deemed Control and Subordination:** None.
- (IV) **Directors, Supervisors, and Presidents of Subsidiaries:** Please refer to pages 156 to 158 of this annual report.
- (V) **Business Operations of the Subsidiaries:** Please refer to pages 159 to 160 of this annual report.
- (VI) **Consolidated Financial Statements of Subsidiaries:** Please refer to pages 161 to 250.

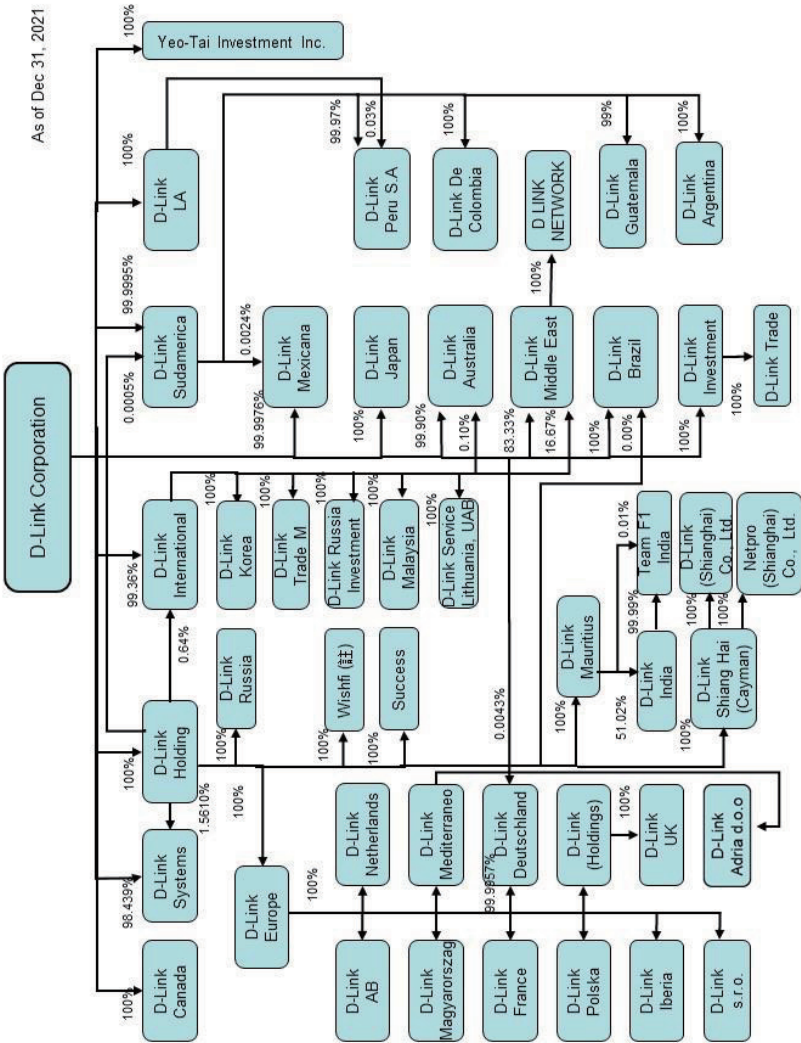
### II. Private Placement of Securities in the Most Recent Year as of the Publication Date of this Annual Report: None.

### III. Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year as of the Publication Date of this Annual Report: None.

### IV. Other Necessary Remark: None.

### V. Any Event Which has Material Impact on the Shareholders' Equity or Securities Prices as Prescribed in Subparagraph 2, Paragraph 3, Article 36 of the "Securities and Exchange Act" that have Occurred in the Most Recent Year as of the Publication Date of this Annual Report: None.

# D-Link Group Organization Chart



## Basic Information of Subsidiaries

Unit: NT\$ Thousand

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
D-Link Canada Inc.	1990.02.15	2525 Meadowvale Boulevard, Mississauga, ON, Canada L5N 5S2,	124,709	Marketing and after-sales service
D-Link Systems, Inc.	1986.01.17	14420 Myford Road suite 100 Irvine, CA 92606, USA	1,412,190	Marketing and after-sales service
D-Link Holding Company Ltd.	1998.06.04	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	1,884,651	Investment
D-Link (Europe) Ltd.	1995.05.30	Artemis Building, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE	1,396,148	Marketing and after-sales service
D-Link AB	1994.09.14	D-Link AB, BOX 1104, 164 22 Kista, Stockholm, Sweden	6,852	Marketing and after-sales service
D-Link (Magyarország) Kft	2007.06.29	Robert Karoly Korut 59, H-1134 Budapest, Hungary	384	Marketing and after-sales service
D-Link France SARL	1990.06.19	14 Place Georges Pompidou, Montigny-le-Bretonneux 78180, France	3,593	Marketing and after-sales service
D-Link Polska Sp Z.o.o.	2006.02.06	ul. Olkuszka 7, 02-604 Warsaw, Poland	842	Marketing and after-sales service
D-Link Iberia SL	2000.07.07	Calle Muntaner, 239-253, Floor 3 A 08021 Barcelona, Spain	1,501	Marketing and after-sales service
D-Link s.r.o	2010.03.01	Building City Empiria, 15th fl. Na Strzi 1702/65, 140 62 Praha- Praha 4, Czech Republic	240	Marketing and after-sales service
D-Link (Netherlands) BV	2001.03.15	Weena 290, 3012 NJ Rotterdam, Netherlands	1,620	Marketing and after-sales service
D-Link Mediterraneo SRL	2000.06.02	Via Negroli 35, 20133 Milano, Italy	1,654	Marketing and after-sales service
D-Link (Deutschland) GmbH	1991.08.14	Schwalbacher Strasse 74 D-65760 Eschborn, Germany	100,084	Marketing and after-sales service
D-Link (Holdings) Ltd.	1995.03.02	Artemis Building, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE	—	Investment
D-Link (UK) Ltd.	1989.08.01	Artemis Building, Odyssey Business Park, West End Road, South Ruislip, HA4 6QE	11,055	Marketing and after-sales service
D-Link Adria d.o.o.	2011.03.03	Cvjetno naselje II 18, 10 000 Zagreb Croatia	292	Marketing and after-sales service
OOO D-Link Russia	2002.07.25	Graphsky per., 14, 129626 Moscow, Russia	3,615	After-sales service
Wishfi Pte. Ltd.	2009.07.10	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	—	R & D, marketing and after sales service
Success Stone Overseas Corp.	2010.01.05	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	271,971	Investment
D-Link Holding Mauritius, Inc.	2000.09.21	10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	293,638	Investment
D-Link (India) Ltd.	2008.05.26	Kalpataru Square, 2nd Floor, Unit no. 24, Kondivita Lane, Off Andheri Kurla Road, Andheri East, Mumbai – 400059, India	26,450	Marketing and after-sales service
Team F1 Networks Private Limited	2012.02.06	The V Ascendas IT Park, Capella Building, Floor 2, Plot No.17, Madhapur, Hyderabad 500081, India	39	R & D
D-Link Shiang-Hai (Cayman) Inc.	2002.04.08	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	558,022	Investment
D-Link (Shiang-Hai) Co., Ltd.	2002.08.13	Room 612, 6F, No. 88, Taigu Road, China (Shanghai) Pilot Free Trade Zone	693,582	Trading of network equipment and

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
				wireless communication systems
Netpro Trading (Shiang-Hai) Co., Ltd.	2001.11.13	8F, Building 1, No. 641 Tianshan Road, Shanghai	21,227	R & D and trading
D-Link International Pte. Ltd.	1994.08.31	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	1,663,006	Marketing, procurement and after-sales service
D-Link Korea Limited	2011.03.16	(Guro-dong, Woolim E-biz Center 1) RM 1401, 28, Digital-ro 33-gil, Guro-gu, Seoul, 08377 Korea	38,510	Marketing and after-sales service
D-Link Trade M	2013.05.21	MD-2001, Negruzzi C. Blvd., 8, Chisinau, Republic of Moldova	8	Marketing and after-sales service
D-Link Russia Investment Co.Ltd.	2014.01.20	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	524,951	Investment
D-Link Malaysia Sdn Bhd	2015.03.13	Strata office SO-20-8, Menara 1, KL Eco City, Jln. Bangsar, Kg. Hj. Abdullah Hukum 59200, Kuala Lumpur Malaysia	5,306	Marketing and after-sales service
D-Link Service Lithuania, UAB	2017.12.05	Zirmunu 139, LT-09120, Vilnius, Lithuania	3,136	Marketing and after-sales service
D-Link Sudamerica S.A.	1999.01.11	Paseo Ahumada 312, oficina 236, Santiago Chile	3,898	Marketing and after-sales service
D-Link Mexicana S.A de C.V	2007.11.13	Gabriel Mancera 1041 Col. Del Valle, C.P. 03100 / México, D.F	204,571	Marketing and after-sales service
D-Link Japan K.K.	2005.07.11	2F, SOWA Gotanda Bldg., 2-7-18 Higashigotanda, Shinagawa-ku, Tokyo 141-0022, Japan	22,866	Marketing and after-sales service
D-Link Australia Pty Ltd.	1991.05.29	6-10 Talavera Rd, North Ryde, NSW 2113, Sydney Australia	20,084	Marketing and after-sales service
D-Link Middle East FZCO	2002.07.17	Plot No. S31102, P.O. Box:18224 Jebel Ali Free Zone South, Dubai UAE.	4,551	Marketing and after-sales service
D Link Network	2019.12.09	Unit 10 Block B, 324 Witch-Hazel Ave, Highveld Technopark, Centurion, RSA	—	Marketing and after-sales service
D-Link Brazil LTDA.	2001.09.12	Rua Apeninos, 1126, 10º Andar - CEP 04104-021, PARAÍSO - SÃO PAULO, Brazil	147,113	Marketing and after-sales service
D-Link Investment Pte.Ltd.	2013.12.20	No. 2 International Business Park #05-27/28 The Strategy (Tower 2), Singapore 609930	60,918	Investment
OOO D-Link Trade	2010.12.29	Shabulina Proezd 16, 390043, Ryazan, Russia	26,836	Marketing and after-sales service
D-Link Latin-America Company Ltd.	2001.04.11	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	276,900	Marketing and after-sales service
D-Link Peru S.A.	2004.06.01	German Schreiber 276 Urb. Santa Ana Of. 240 entre cdra 1 y 2 Canaval y Moreyra Lima – San Isidro, Peru	24	Marketing and after-sales service
D-Link de Colombia S.A.S.	2006.07.07	Carrera 7B No 126-74, Bogota Colombia	10,041	Marketing and after-sales service
D-Link Guatemala S.A.	2005.12.07	Guatemala C.A.	18	Marketing and after-sales service
D-Link Argentina S.A.	2006.08.02	Buenos Aires - Argentina	764	Marketing and after-sales service
Yeo-Tai Investment Ltd.	1999.12.17	6F., No. 289, Xindu 3rd Rd., Neihu Dist., Taipei City	146,000	Investment



## Directors, Supervisors, and Presidents of Subsidiaries

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Canada Inc.	Director	Sara Cheng		0.00
D-Link Systems, Inc.	Director	CJ Chang		0.00
D-Link Holding Co. Ltd.	Director	Joanne Chen		0.00
	Director	Howard Kao		0.00
D-Link (Europe) Ltd.	Director	Claude Chou		0.00
	Director	Sara Cheng		0.00
	Director	Kevin Wen		0.00
	Company Secretary	Dinesh Kerai		0.00
D-Link AB	Director	Claude Chou		0.00
	Director	Arnold Dekker		0.00
	Director	Thomas Von Baross		0.00
D-Link (Magyarország) Kft	Director	Claude Chou		0.00
	Director	Sara Cheng		0.00
	Director	Thomas Von Baross		0.00
D-Link France SARL	Director	Kevin Wen		0.00
	Director	Stefano Nordio		0.00
D-Link Polska Sp. Z o.o.	Director	Kevin Wen		0.00
	Director	Thomas Von Baross		0.00
D-Link Iberia SL	Director	Claude Chou		0.00
	Director	Andy Chen		0.00
	Director	Stefano Nordio		0.00
D-Link s.r.o.	Director	Claude Chou		0.00
	Director	Sara Cheng		0.00
	Director	Thomas Von Baross		0.00
D-Link (Netherlands) BV	Director	Claude Chou		0.00
	Director	Thomas Von Baross		0.00
D-Link Mediterraneo SRL	Director	Claude Chou		0.00
	Director	Andy Chen		0.00
	Director	Stefano Nordio		0.00
D-Link (Deutschland) GmbH	Director	Claude Chou		0.00
	Director	Sara Cheng		0.00
	Director	Thomas Von Baross		0.00
D-Link (Holdings) Ltd. Co.	Director	Joanne Chen		0.00
	Company Secretary	Dinesh Kerai		0.00
D-Link (UK) Ltd.	Director	Kevin Wen		0.00
	Company Secretary	Dinesh Kerai		0.00
D-Link Adria d.o.o.	Director	Stefano Nordio		0.00
	Director	Kevin Wen		0.00
OOO D-Link Russia	Director	Vladimir Lipping		0.00
Wishfi Pte Ltd.	Director	Jacky Chang		0.00
	Company Secretary	ANG AI CHOO		0.00
Success Stone Overseas Corp.	Director	Joanne Chen		0.00
	Director	Alex Chaing		0.00

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Holding Mauritius, Inc.	Director	CJ Chang		0.00
	Director	Joanne Chen		0.00
	Director	Karen Ah Soon		0.00
	Director	Nathalie Wong		0.00
D-Link (India) Ltd.	Chairman	Howard Kao		0.00
	Director	Mukesh Lulla	2,634,356	7.42
	Independent Director	Rajaram Ajgaonkar		0.00
	Independent Director	Satish Godbole	25	0.00
	Independent Director	Madhu Gadodia		0.00
	Director & CEO	Tushar Sighat	16,427	0.05
TeamF1 Networks Private Limited	Director	Howard Kao		0.00
	Director	Tushar Sighat		0.00
	Director	RAJARAM PRALHADRAO JADHAV		0.00
D-Link Shiang-Hai (Cayman) Inc.	Director	Joanne Chen		0.00
	Director	Howard Kao		0.00
D-Link (Shiang-Hai) Co., Ltd.	Chairman	CJ Chang		0.00
	Director	Howard Kao		0.00
	Director	Jeff Wu*		0.00
	Supervisor	Claire Chou		0.00
	Chairman	CJ Chang		0.00
Netpro Trading (Shiang-Hai) Co., Ltd.	Director	Howard Kao		0.00
	Director	Jeff Wu*		0.00
	Supervisor	Claire Chou		0.00
	Director	Victir Kuo		0.00
D-Link International Pte Ltd.	Director	Joanne Chen		0.00
	Director	Jacky Chang		0.00
	Chairman	CJ Chang		0.00
D-Link Korea Ltd.	Director	Howard Kao		0.00
	Administrator	Denis Culicovschi		0.00
D-Link Trade M	Director	Joanne Chen		0.00
	Director	Howard Kao		0.00
D-Link Malaysia Sdn Bhd	Director	Lim Bee Lian		0.00
	Director	Suzairi Bin Abdul Rahman		0.00
D-Link Service Lithuania, UAB	President	Ramune Drobaviciene		0.00
D-Link Sudamerica S.A.	Director	Andy Chen		0.00
D-Link Mexicana S.A de C.V	Director	Sophia Luke		0.00
D-Link Japan K.K.	Chairman	CJ Chang		0.00
	President	Chin-Hsin Liao		0.00
	Director	Howard Kao		0.00
	Supervisor	Claire Chou		0.00
D-Link Australia Pty Ltd.	Director	CJ Chang		0.00
	Director	Howard Kao		0.00
	Director	Reardon Graeme		0.00

\*Jeff Wu resigned in February 2022.

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Middle East FZCO	Director	CJ Chang		0.00
	Director	Joanne Chen		0.00
	Director	Gary Yang		0.00
D Link Network	Director	Alex Chaing		0.00
	Director	Teddy Liang		0.00
D-Link Brazil LTDA.	Legal Representative	José Roberto Arruda Moreira Filho		0.00
D-Link Investment Pte. Ltd.	Director	Howard Kao		0.00
	Director	Jacky Chang		0.00
OOO D-Link Trade	Director & President	Vladimir Lipping		0.00
D-Link Latin-America Company Ltd.	Director	Joanne Chen		0.00
	Director	Howard Kao		0.00
D-Link Peru S.A.	Director	Andy Chen		0.00
D-Link de Colombia S.A.S.	Legal Representative	Sophia Luke		0.00
D-Link Guatemala S.A.	Director	Andy Chen		0.00
D-Link Argentina S.A.	Legal Representative	Ricardo Scherianz		0.00
Yeo-Tai Investment Ltd.	Chairman	Victor Kuo		0.00
	Director	Joane Chen		0.00

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

## Business Operations of the Subsidiaries

Unit: NT\$ Thousand

English name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	P & L for the current period (after taxes)	EPS (NT\$)
D-Link Canada Inc.	124,709	395,592	116,184	279,408	496,846	151	1,365	0.24
D-Link Systems, Inc.	1,412,190	2,089,344	747,327	1,342,017	675,280	(99,892)	(64,895)	(1.37)
D-Link Holding Company Ltd.	1,884,651	1,745,937	24,791	1,721,146	—	(300)	109,748	1.61
D-Link (Europe) Ltd.	1,396,148	2,531,872	1,288,176	1,243,696	3,510,026	34,043	26,534	0.82
D-Link AB	6,852	29,744	14,013	15,731	49,508	2,192	1,450	93.55
D-Link (Magyarország) Kft	384	7,942	2,186	5,756	11,789	912	209	696.67
D-Link France SARL	3,593	122,388	86,875	35,513	512,536	5,454	2,884	25.17
D-Link Polska Sp. Z o.o.	842	33,101	10,224	22,877	54,575	3,858	1,729	17,290.00
D-Link Iberia SL	1,501	148,586	89,976	58,610	387,138	4,304	3,729	74.58
D-Link s.r.o.	240	5,156	1,503	3,653	8,972	475	366	3,660.00
D-Link (Netherlands) BV	1,620	10,115	2,662	7,453	13,869	637	536	10.72
D-Link Mediterraneo SRL	1,654	255,226	237,267	17,959	698,426	12,026	7,314	146.28
D-Link (Deutschland) GmbH	100,084	273,194	92,487	180,707	772,472	2,682	15,415	N/A
D-Link (Holdings) Ltd.	—	8,991	—	8,991	—	—	—	—
D-Link (UK) Ltd.	11,055	8,991	—	8,991	—	—	—	—
D-Link Adria d.o.o.	292	1,166	9	1,157	10	(26)	12	N/A
OOO D-Link Russia	3,615	4,538	17	4,521	266	(119)	14	N/A
Success Stone Overseas Corp.	271,971	148,661	1,389	147,272	—	(14,196)	819	83.41
D-Link Holding Mauritius, Inc.	293,638	888,913	—	888,913	—	(499)	81,537	407.68
D-Link (India) Ltd.	26,450	1,841,434	769,612	1,071,822	3,197,447	184,680	161,114	4.54
Team F1 Network Private Ltd.	39	73,765	11,393	62,372	60,095	9,071	9,326	888.23
D-Link Shiang-Hai (Cayman) Inc.	558,022	—	539,232	(539,232)	—	—	331	6.62
D-Link (Shiang-Hai) Co., Ltd.	693,582	103,115	653,553	(550,438)	216,252	(5,509)	(2,209)	N/A
Netpro Trading (Shiang-Hai) Co., Ltd.	21,227	22,872	9,468	13,404	70,583	3,228	2,540	N/A
D-Link International Pte. Ltd.	1,663,006	5,783,995	3,054,729	2,729,266	9,336,848	499,299	479,733	7.21
D-Link Korea Ltd.	38,510	35,800	67,316	(31,516)	59,464	(1,858)	(7,132)	(21.55)
D-Link Trade M	8	1,159	1,352	(193)	3,995	493	365	N/A
D-Link Russia Investment Co. Ltd.	524,951	692,110	—	692,110	—	(67)	3,901	0.16
D-Link Malaysia Sdn Bhd	5,306	12,458	5,124	7,334	25,366	1,208	381	—
D-Link Service Lithuania, UAB	3,136	5,998	2,148	3,850	11,991	759	634	634.00
D-Link Sudamerica S.A.	3,898	19,267	9,685	9,582	24,196	1,862	1,588	7.94
D-Link Mexicana S.A de C.V	204,571	15,520	993	14,527	—	(583)	(246)	(1.62)
D-Link Japan K.K.	22,866	848,033	229,852	618,181	726,856	25,828	17,491	1,841.20
D-Link Australia Pty Ltd.	20,084	254,209	104,378	149,831	394,227	23,212	12,153	12.15
D-Link Middle East FZCO	4,551	1,752,638	920,455	832,183	2,618,346	31,542	29,689	4,948,166.67
D Link Network	—	119	160	(41)	7,506	(503)	(478)	(4,784.08)

English name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	P & L for the current period (after taxes)	EPS (NT\$)
D-Link Brazil LTDA.	147,113	509,555	627,489	(117,934)	268,730	(147,771)	(94,358)	(0.03)
D-Link Investment Pte. Ltd.	60,918	26	68,924	(68,898)	—	(208)	39,892	18.13
OOO D-Link Trade	26,836	711,502	778,929	(67,427)	1,361,505	34,462	40,100	N/A
D-Link Latin-America Company Ltd.	276,900	14,106	582,452	(568,346)	—	(102)	(56,561)	(1,379.54)
D-Link Peru S.A.	24	8,856	289	8,567	5,979	412	708	202.29
D-Link de Colombia S.A.S.	10,041	10,131	4,669	5,462	2,539	(117)	(731)	(0.51)
D-Link Guatemala S.A.	18	814	299	515	—	—	—	—
D-Link Argentina S.A.	764	133	20	113	—	—	—	—
Yeo-Tai Investment Ltd.	146,000	62,678	80	62,598	—	(166)	1,690	0.12

## **Representation Letter**

The entities that are required to be included in the consolidated financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: D-LINK CORPORATION  
Chairman: Kuo, Chin-Ho  
Date: March 29, 2022

## **Independent Auditors' Report**

To the Board of Directors of D-LINK CORPORATION:

### **Opinion**

We have audited the consolidated financial statements of D-LINK CORPORATION and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of D-LINK CORPORATION and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Other Matters**

We did not audit the financial statements of D-Link International Pte. Ltd., a subsidiary of D-Link Corporation as of and for the year ended December 31, 2021, and the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2020. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the reports of other auditors. The financial statements of above subsidiaries reflect the total assets constituting 5% and 6% of the consolidated total assets at December 31, 2021 and 2020, respectively, and the total revenues constituting 7% and 8% of the consolidated total revenues for the years ended December 31, 2021 and 2020, respectively.

D-LINK CORPORATION has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matters paragraph.

### **Key Audit Matters**

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

#### **1. Valuation of inventories**

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

Key audit matter explanation:

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

How the matter was addressed in our audit:

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

#### **2. Valuation of allowance for doubtful account**

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

Key audit matter explanation:

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

How the matter was addressed in our audit:

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



### 3. Revenue recognition

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

#### Key Audit Matter Explanation:

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

#### How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 29, 2022

#### Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 2,195,080	16	6,216,327	39
1110 Financial assets at fair value through profit or loss – current (note 6(b))	279,344	2	238,951	2
1150 Notes receivable, net (note 6(c))	5,283	-	2,647	-
1170 Accounts receivable, net (note 6(e))	3,414,780	24	3,061,366	19
1180 Accounts receivable due from related parties, net (notes 6(c) and 7)	10,187	-	-	-
1197 Finance lease payment receivable (note 6(d))	25,565	-	55,821	-
1200 Other receivables (notes 6(e) and 7)	274,322	2	38,744	-
1220 Current tax assets	13,066	-	38,744	-
130X Inventories (note 6(f))	3,348,193	23	2,442,783	16
1410 Prepayment for purchase (note 7)	173,656	1	106,007	1
1470 Other current assets (note 8)	370,457	2	389,276	2
	<u>10,109,933</u>	<u>70</u>	<u>12,351,922</u>	<u>79</u>
<b>Non-current assets:</b>				
1517 Financial assets at fair value through other comprehensive income– non-current (note 6(b))	33,300	-	454,435	3
1550 Investments accounted for using equity method (note 6(f))	1,407,915	10	-	-
1600 Property, plant and equipment (note 6(h))	974,725	7	1,029,671	6
1755 Right-of-use assets (note 6(i))	18,175	2	470,158	3
1760 Investment property, net (note 6(j))	38,876	-	39,272	-
1780 Intangible assets (note 6(k))	472,238	3	511,329	3
1840 Deferred tax assets (note 6(l))	869,956	6	745,635	5
1990 Other non-current assets (note 8)	188,432	1	147,808	1
194D Long-term lease payment receivable, net (note 6(d))	130,314	1	-	-
	<u>4,893,931</u>	<u>30</u>	<u>3,598,308</u>	<u>21</u>
	<b>\$ 14,503,864</b>	<b>100</b>	<b>\$ 15,950,230</b>	<b>100</b>
<b>Total assets</b>				
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Financial liabilities at fair value through profit or loss – current (note 6(b))	\$ 16,368	-	18,324	-
Current contract liabilities (note 6(w))	134,833	1	123,995	1
Notes payable	11	-	230	-
Accounts payable	2,336,740	16	2,376,692	15
Other payables (notes 6(m) and 7)	287,886	2	367,482	2
Current tax liabilities	907,850	6	1,380,725	9
Current provisions (note 6(o))	231,119	-	63,179	-
Current lease liabilities (note 6(n))	233,799	2	259,953	2
Current tax liabilities (note 6(n))	142,551	1	147,068	1
Current refund liability (note 6(p))	456,699	3	555,409	3
Other current liabilities	51,005	-	53,059	-
	<u>4,589,921</u>	<u>31</u>	<u>5,346,116</u>	<u>33</u>
<b>Non-current liabilities:</b>				
Deferred tax liabilities (note 6(i))	352,837	3	282,833	2
Non-current lease liabilities (note 6(n))	297,900	2	349,906	2
Other non-current liabilities (note 6(s))	260,870	2	231,020	1
	<u>911,607</u>	<u>7</u>	<u>863,759</u>	<u>5</u>
<b>Total liabilities</b>	<u>5,501,528</u>	<u>38</u>	<u>6,210,875</u>	<u>38</u>
<b>Equity attributable to owners of parent: (note 6(o))</b>				
Ordinary shares	5,998,365	41	6,519,961	41
Capital surplus	1,522,573	10	1,523,313	10
Retained earnings:				
Legal reserve	2,110,026	15	2,053,379	13
Special reserve	412,952	3	505,562	4
Unappropriated retained earnings	299,477	-	266,471	-
	<u>2,822,455</u>	<u>20</u>	<u>2,825,412</u>	<u>18</u>
	<u>(1,866,035)</u>	<u>(13)</u>	<u>(1,609,191)</u>	<u>(10)</u>
	<u>8,477,358</u>	<u>58</u>	<u>9,259,495</u>	<u>59</u>
	<u>524,978</u>	<u>4</u>	<u>480,860</u>	<u>3</u>
	<u>9,002,336</u>	<u>62</u>	<u>9,740,355</u>	<u>62</u>
	<b>\$ 14,503,864</b>	<b>100</b>	<b>\$ 15,950,230</b>	<b>100</b>
<b>Total liabilities and equity</b>				
Other equity interest				
<b>Total equity attributable to owners of parent:</b>				
Non-controlling interests (notes 6(g) and (u))	3400		36XX	
<b>Total equity</b>				

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Net operating revenues (notes 6(w) and 7)	\$ 15,524,901	100	15,179,443	100
5000	Operating costs (notes 6(c), (s) and 7)	<u>11,336,144</u>	<u>73</u>	<u>10,404,148</u>	<u>69</u>
	Gross profit from operations	<u>4,188,757</u>	<u>27</u>	<u>4,775,295</u>	<u>31</u>
	Operating expenses: (notes 6(c), (h), (i), (j), (k), (n), (r), (s) and (x))				
6100	Selling expenses	2,306,285	15	2,623,485	17
6200	Administrative expenses	850,067	5	952,285	6
6300	Research and development expenses	873,752	6	1,127,417	7
6450	Expected credit gain (note 6(c))	<u>(11,215)</u>	<u>-</u>	<u>(8,118)</u>	<u>-</u>
		<u>4,018,889</u>	<u>26</u>	<u>4,695,069</u>	<u>30</u>
	Net operating income (loss)	<u>169,868</u>	<u>-1</u>	<u>80,226</u>	<u>-1</u>
	Non-operating income and expenses:				
7100	Interest income (notes 6(y) and 7)	47,997	-	16,524	-
7010	Other income (notes 6(y) and 7)	3,862	-	2,542	-
7020	Other gains and losses (notes 6(f), (q), (y), (aa) and 7)	4,391	-	1,342,742	9
7050	Finance costs (notes 6(n), (q) and (y))	<u>(25,908)</u>	<u>-</u>	<u>(28,284)</u>	<u>-</u>
7060	Share of profit of associates accounted for using equity method (note 6(f))	<u>194,513</u>	<u>1</u>	<u>82,976</u>	<u>-</u>
		<u>224,855</u>	<u>-1</u>	<u>1,416,500</u>	<u>9</u>
		394,723	2	1,496,726	10
7950	Less: Income tax expenses (note 6(t))	<u>76,612</u>	<u>-</u>	<u>186,166</u>	<u>1</u>
	Net profit	<u>318,111</u>	<u>2</u>	<u>1,310,560</u>	<u>9</u>
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (note 6 (u))				
8311	(Losses) gains on remeasurements of defined benefit plans (note 6 (s))	(1,687)	-	4,534	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	54,984	-	16,739	-
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	(14,416)	-	59,684	1
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>38,881</u>	<u>-</u>	<u>80,957</u>	<u>1</u>
8360	Components of other comprehensive loss that will be reclassified to profit or loss (notes 6(u) and (z))				
8361	Exchange differences on translation of foreign financial statements	(412,625)	(2)	(439,672)	(3)
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	871	-	55,373	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	<u>45,730</u>	<u>-</u>	<u>68,189</u>	<u>-</u>
		<u>(366,024)</u>	<u>(2)</u>	<u>(316,110)</u>	<u>(3)</u>
8300	Other comprehensive loss, net	<u>(327,143)</u>	<u>(2)</u>	<u>(235,153)</u>	<u>(2)</u>
	Total comprehensive income (loss) of tax	<u>\$ (9,032)</u>	<u>-</u>	<u>\$ 1,075,407</u>	<u>7</u>
	Net profit attributable to:				
8610	Owners of parent	\$ 239,197	2	1,239,925	8
8620	Non-controlling interests	<u>78,914</u>	<u>-</u>	<u>70,635</u>	<u>1</u>
		<u>\$ 318,111</u>	<u>2</u>	<u>\$ 1,310,560</u>	<u>9</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ (64,933)	-	1,040,482	7
8720	Non-controlling interests	<u>55,901</u>	<u>-</u>	<u>34,925</u>	<u>-</u>
		<u>\$ (9,032)</u>	<u>-</u>	<u>\$ 1,075,407</u>	<u>7</u>
	Basic earnings per share (New Taiwan dollars) (note 6(v))	<u>\$ 0.38</u>		<u>\$ 1.90</u>	
	Diluted earnings per share (New Taiwan dollars) (note 6(v))	<u>\$ 0.38</u>		<u>\$ 1.90</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent							Total equity attributable to owners of parent	Non-controlling interests	Total equity		
	Retained earnings			Total other equity interest								
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)	Exchange differences on translation of 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	-	-	-	-	1,239,925	-	-	-	1,239,925	-	70,635	1,310,560
Other comprehensive income (loss)	-	-	-	-	4,534	(283,884)	-	76,423	3,484	(199,443)	(35,710)	(235,153)
Total comprehensive income (loss)	-	-	-	-	1,244,459	(283,884)	-	76,423	3,484	1,040,482	34,925	1,075,407
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(75,494)	-	-	(178,907)	-	-	-	-	-	-	(254,401)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,690)	(6,690)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(73)	-	73	-	-	-	-	-
<b>Balance at December 31, 2020</b>	6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	-	9,259,495	480,860	9,740,355	
Net profit	-	-	-	-	239,197	-	-	-	239,197	78,914	318,111	
Other comprehensive income (loss)	-	-	-	-	(1,687)	(343,011)	40,568	-	(304,130)	(23,013)	(327,143)	
Total comprehensive income (loss)	-	-	-	-	237,510	(343,011)	40,568	-	(64,933)	55,901	(9,032)	
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)	-	-	729	-	-	-	(11)	-	(11)	
Capital reduction	(521,596)	-	-	-	-	-	-	-	(521,596)	-	(521,596)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(11,783)	(11,783)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(45,599)	-	45,599	-	-	-	-	
<b>Balance at December 31, 2021</b>	5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	-	8,477,358	524,978	9,002,336	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollar)

	2021	2020
<b>Cash (used in) generated from operating activities:</b>		
Profit before tax	\$ 394,723	1,496,726
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	230,097	246,409
Amortization expense	43,264	56,818
Expected credit loss reversal gain	(11,215)	(8,118)
Net loss on financial assets or liabilities at fair value through profit or loss	19,335	14,478
Interest expense	25,908	28,284
Interest income	(47,997)	(16,524)
Dividend income	(1,155)	(879)
Share of profit of associates accounted for using equity method	(194,513)	(82,976)
Gain on disposal of investments	(6,487)	(1,297,668)
Write-down loss (reversal gain) of inventories to net realizable value	235,732	(284,416)
Other	(15,149)	82,943
<b>Total adjustments to reconcile profit (loss)</b>	<u>277,820</u>	<u>(1,261,649)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(55,197)	(145,364)
(Increase) decrease in notes receivable	(2,636)	6,155
(Increase) decrease in accounts receivable	(337,013)	538,998
Increase in accounts receivable due from related parties	(10,509)	-
(Increase) decrease in other receivables	(3,716)	5,985
Decrease in lease payment receivable	16,602	-
(Increase) decrease in inventories	(1,111,228)	794,445
Increase in prepayment for purchase	(67,649)	(29,476)
Decrease (increase) in other current assets	44,715	(130,004)
(Increase) decrease in other non-current assets	(41,813)	34,388
<b>Total changes in operating assets</b>	<u>(1,568,444)</u>	<u>1,075,127</u>
Increase in current contract liabilities	10,838	6,552
Decrease in notes payable	(219)	(347)
(Decrease) increase in accounts payable	(39,952)	391,111
Decrease in accounts payable to related parties	(79,324)	(559,285)
Decrease in other payable	(472,875)	(98,387)
Decrease in current provisions	(30,965)	(23,155)
Decrease in current refund liabilities	(98,710)	(29,780)
(Decrease) increase in other current liabilities	(1,994)	3,355
Increase (decrease) in other non-current liabilities	15,587	(2,819)
<b>Total changes in operating liabilities</b>	<u>(697,614)</u>	<u>(312,755)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(2,266,058)</u>	<u>762,372</u>
<b>Total adjustments</b>	<u>(1,988,238)</u>	<u>(499,277)</u>
Cash (used in) generated from operations	(1,593,515)	997,449
Interest received	31,748	16,524
Dividends received	1,155	40,027
Interest paid	(9,931)	(20,172)
Income taxes paid	(100,581)	(91,804)
<b>Net cash (used in) generated from operating activities</b>	<u>(1,671,124)</u>	<u>942,024</u>
<b>Cash (used in) generated from investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,244	-
Acquisition of investments accounted for using equity method	(812,484)	-
Proceeds from disposal of investments accounted for using equity method	-	2,823,808
Acquisition of property, plant and equipment	(42,375)	(77,909)
Proceeds from disposal of property, plant and equipment	246	594
Decrease in refundable deposits	1,189	1,491
Increase in other receivables	(214,785)	-
Acquisition of intangible assets	(18,819)	(3,648)
Other investing activities	(23,575)	59,715
<b>Net cash (used in) generated from investing activities</b>	<u>(1,054,359)</u>	<u>2,804,051</u>
<b>Cash flows used in financing activities:</b>		
Increase in guarantee deposits received	12,576	1,163
Payment of lease liabilities	(166,739)	(225,225)
Cash dividends paid (including subsidiaries)	(207,380)	-
Capital reduction payments to shareholders	(521,596)	-
Change in non-controlling interests	-	(6,690)
Payment of bonds payable	-	(608)
<b>Net cash used in financing activities</b>	<u>(883,139)</u>	<u>(231,360)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(412,625)</u>	<u>(439,672)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(4,021,247)</u>	<u>3,075,043</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>6,216,327</u>	<u>3,141,284</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 2,195,080</u>	<u>6,216,327</u>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 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 March 29, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“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 “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

- (b) Basis of Preparation

- (i) Basis of Measurement

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

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

(Continued)



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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

The Consolidated Company prepares consolidated financial statements using uniform accounting policies for 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
			December 31, 2021	December 31, 2020	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Investment Pte. Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	Yeo-Chia Investment Ltd. (Yeochia)	Investment company	- %	100.00 %	Went into liquidation process at December 1, 2021(note)
The Company	Yeo-Mao Investment Inc. (Yeomao)	Investment company	- %	100.00 %	Went into liquidation process at December 1, 2021(note)
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research, development, marketing and after-sales service	100.00 %	100.00 %	Cancellation of registration in January, 2022
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	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 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-Hai) Co., Ltd (D-Link Shiang-Hai)	Marketing and after sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-Hai) Co., Ltd (Netpro Trading )	Research, development and trading	100.00 %	100.00 %	
D-Link Mediterraneo	D-Link ADRIA d.o.o.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D-Link del Ecuador S.A.	Marketing and after-sales service	- %	100.00 %	Liquidation was completed in April, 2021
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link ME	D Link Network	Marketing and after-sales service	100.00 %	100.00 %	

Note: Yeo-Chia Investment Ltd. (Yeochia) and Yeo-Mao Investment Inc. (Yeomao) went into liquidation process at December 1, 2021. As of December 31, 2021, Yeochia and Yeomao reports were not included in the consolidated financial statement because of losing control over them.

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

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

(d) Business combination

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

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

(e) Foreign currency

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

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

(Continued)

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

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

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

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

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

(h) Financial Instruments

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

(i) Financial assets

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

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

(Continued)

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

(Continued)

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

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

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

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.

(Continued)

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

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

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, finance lease payment receivable, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

Loss 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.

(Continued)



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

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

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

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

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

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

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

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

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

#### 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.

(Continued)

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Exchangeable bonds

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

3) Financial liabilities

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

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

4) Other financial liabilities

Financial liabilities that are not classified as held-for-trading or measured at fair value through profit or loss, which comprise loans, 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.

(Continued)

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

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

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

Cash flow hedges

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

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.

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

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

(i) Inventories

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

(j) Investment in associates

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

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

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

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.

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

(k) Investment property

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(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.

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

(iv) Reclassification to investment property

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

(m) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

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

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

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

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

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.

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

(ii) As a lessor

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

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

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

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

(n) Intangible assets

(i) Goodwill and trademark

1) Recognition

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

2) Subsequent measurement

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

(ii) Other intangible assets

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

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

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

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

(o) Impairment of non-financial assets

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

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

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

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

(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.

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

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(q) Revenue from contracts with customers

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

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

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

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

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.

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(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.

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

(s) Income Taxes

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

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

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

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

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

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

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

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

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

(t) 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, capital surplus, and employee profit sharing is computed retroactively.

(u) Operating segments

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

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

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

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

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

(a) Impairment of Accounts receivable

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

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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(b) Valuation of inventories

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

(c) Judgment on substantial control over the investee

The Consolidated 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 Consolidated Company. Besides, the main management of Cameo Communication, Inc. is not appointed by the Consolidated 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.

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

(a) Cash and Cash Equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 2,840	3,170
Checking and saving accounts	2,087,817	3,042,387
Time deposit	<u>104,423</u>	<u>3,170,770</u>
Cash and Cash Equivalents	<u><b>\$ 2,195,080</b></u>	<u><b>6,216,327</b></u>

Please refer to 6(aa) 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.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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- (b) Financial Assets and Liabilities  
(i) Details as follows

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Mandatorily measured at fair value through profit or loss - current</b>		
Beneficiary certificates – mutual funds	\$ 278,623	217,316
Cross currency swaps	73	20,861
Forward foreign exchange contracts	<u>648</u>	<u>774</u>
	<b><u>\$ 279,344</u></b>	<b><u>238,951</u></b>
<b>Financial liabilities at fair value through profit or loss - current</b>		
Cross currency swaps	\$ 13,722	8,469
Forward foreign exchange contracts	<u>2,646</u>	<u>9,855</u>
	<b><u>\$ 16,368</u></b>	<b><u>18,324</u></b>
<b>Financial assets at fair value through other comprehensive income - non-current</b>		
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cameo Communication, Inc. (Cameo)	\$ -	364,655
Z-Com, Inc. (Z-Com)	-	33,165
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	3,882	3,504
Kaimei Electronic Corp. (Kaimei)	29,207	52,876
StemCyte International. LTD (Stemcyte)	<u>211</u>	<u>235</u>
	<b><u>\$ 33,300</u></b>	<b><u>454,435</u></b>

- 1) On February 17, 2021, the Consolidated Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Consolidated Company transferred financial assets from financial assets at fair value through other comprehensive income to investments accounted for using equity method and reclassified financial assets from other equity loss to retained earnings amounting to 54,847 thousand.
- 2) The Consolidated Company sold a total of 2,753,041 shares of Z-Com in 2021, disposed at the price of \$23,251 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$6,921 thousand .
- 3) The Consolidated Company sold 288,000 shares of Kaimei in November 2021, disposed at the price of \$32,788 thousand, and reclassified financial assets from other equity gain to retained earnings amounting to \$16,208 thousand.

(Continued)

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

- 4) The Consolidated Company sold 18,950 shares of Stemcyte in October 2021, disposed at the price of \$205 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$39 thousand.
- 5) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(aa).
- 6) As of December 31, 2021 and 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:

	2021		2020	
<b>Security price at reporting date</b>	<b>After-tax other comprehensive income (loss)</b>	<b>After-tax profit (loss)</b>	<b>After-tax other comprehensive income (loss)</b>	<b>After-tax profit (loss)</b>
Increase 3%	\$ 970	6,520	13,607	5,085
Decrease 3%	\$ (970)	(6,520)	(13,607)	(5,085)

- (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 December 31, 2021 and 2020, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

- 1) Derivative financial assets

	December 31, 2021			December 31, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
JPY	\$ -	-	-	1,800,000	JPY	2021.01 ~2021.06
EUR	4,000	EUR	2022.01	10,000	EUR	2021.01
Forward foreign exchange contracts:						
EUR (sell)	3,000	EUR	2022.01	-	-	-
BRL (sell)	-	-	-	15,502	BRL	2021.02
CAD (sell)	700	CAD	2022.01	-	-	-
JPY (sell)	448,900	JPY	2022.01–02	-	-	-
RUB (buy)	-	-	-	150,028	RUB	2021.01

(Continued)



**D-LINK CORPORATION AND SUBSIDIARIES**  
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2) Derivative financial liabilities

	December 31, 2021			December 31, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 1,700	USD	2022.02	1,700	USD	2021.03
CNH	133,670	CNH	2022.01	110,588	CNH	2021.01 ~2021.02
GBP	1,000	GBP	2022.01	-	-	-
EUR	10,000	EUR	2022.02	1,000	EUR	2021.02
JPY	1,800,000	JPY	2022.01~03	-	-	-
EUR	12,000	EUR	2022.01	-	-	-
CAD	1,100	CAD	2022.01	-	-	-
AUD	300	AUD	2022.01	-	-	-
RUB	150,028	RUB	2022.01	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	-	-	-	4,200	EUR	2021.01 ~2021.03
BRL (sell)	80,445	BRL	2022.01	3,740	BRL	2021.01
INR (sell)	188,766	INR	2022.01	221,346	INR	2021.01
AUD (sell)	1,000	AUD	2022.01	2,500	AUD	2021.01 ~2021.03
GBP (sell)	500	GBP	2022.01	-	-	-
KRW (sell)	2,144,020	KRW	2022.01	1,877,735	KRW	2021.01 ~2021.02
JPY (sell)	-	-	-	700,000	JPY	2021.01 ~2021.02
CAD (sell)	-	-	-	2,000	CAD	2021.01 ~2021.03

(c) Notes and accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Notes receivable for operating activities	\$ 5,283	2,647
Accounts receivable	3,497,623	3,166,320
Account receivable - related parties	10,502	-
Other receivables	<u>274,322</u>	<u>55,821</u>
	3,787,730	3,224,788
Less: Loss allowance	<u>(83,158)</u>	<u>(104,954)</u>
	<u>\$ 3,704,572</u>	<u>3,119,834</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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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 2021 and 2020 was determined as follows:

	Gross carrying amount	December 31, 2021 Weighted-average loss rate	Loss allowance provision
Current	\$ 3,228,796	0.32%	10,413
90 days or less past due	472,980	0.20%	929
91 to 180 days past due	1,159	15.42%	179
181 to 270 days past due	4,927	66.26%	3,265
271 to 360 days past due	1,191	72.12%	859
More than 360 days past due	<u>78,677</u>	85.81%	<u>67,513</u>
	<u><b>\$ 3,787,730</b></u>		<u><b>83,158</b></u>

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

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

	2021	2020
Balance at January 1, 2021 and 2020	\$ 104,954	197,721
Expected credit loss reversed	(11,215)	(8,118)
Amounts written off	(5,717)	(68,253)
Others	<u>(4,864)</u>	<u>(16,396)</u>
Balance at December 31, 2021 and 2020	<u><b>\$ 83,158</b></u>	<u><b>104,954</b></u>

(d) Finance lease payment receivable

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

(Continued)

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

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

	December 31, 2021	December 31, 2020
Less than one year	\$ 30,030	-
One to two years	32,966	-
Two to three years	35,147	-
Three to four years	36,237	-
Four to five years	<u>34,216</u>	<u>-</u>
Total lease payments receivable	168,596	-
Unearned finance income	<u>(12,717)</u>	<u>-</u>
Total lease payments receivable (Present value of lease payments receivable)	<u>\$ 155,879</u>	<u>-</u>

(e) Inventories

	December 31, 2021	December 31, 2020
Finished goods	<u>\$ 3,348,193</u>	<u>2,442,783</u>

The operating cost comprises of cost of goods sold, write-down loss (reversal of write-down loss) of inventories to net realizable value, warranty costs and other loss (gain). For the years ended December 31, 2021 and 2020, the cost of goods delivered were \$10,825,721 thousand and \$10,302,279 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$274,691 thousand, and \$386,285 thousand in 2021 and 2020, respectively. Recognized loss of inventories to net realizable value is recorded as cost of goods sold by \$235,732 thousand in 2021, due to shortage of materials and increased logistics time to increase stocking. Reversal of write-down loss of inventories to net realizable value is recorded as decrease of cost of goods sold by \$284,416 thousand in 2020, because of out of stock in the market and active sales of inventory.

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

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2021	December 31, 2020
Associates	<u>\$ 1,407,915</u>	<u>-</u>

(Continued)

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

(i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Main operating location/ Registered Country of the Company	Ownership interest/Voting rights held			
			December 31, 2021		December 31, 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	-	%	-	%
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	%	-	%

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

	<b>November 30, 2020</b> <b>(Unaudited)</b>
Current assets	\$ 21,809,621
Non-current assets	6,198,278
Current liabilities	14,178,386
Non-current liabilities	<u>1,320,201</u>
Net assets	<u>\$ 12,509,312</u>
Net assets attributable to non-controlling interests	<u>\$ 2,981,613</u>
Net assets attributable to investee's shareholders	<u>\$ 9,527,699</u>
	<b>2020.01</b> <b>~2020.11</b> <b>(Unaudited)</b>
Operating revenue	<u>\$ 28,570,311</u>
Net income	\$ 558,270
Other comprehensive income	<u>93,124</u>
Total comprehensive income	<u>\$ 651,394</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 134,446</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 516,948</u>

(Continued)

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

	<b>2020.01 ~2020.11 (Unaudited)</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	120,229
Changes in equity of associates using equity method	(185,836)
Dividends received from associates	(39,148)
Less: exchange of exchangeable bond and sell of shares	<u>(2,036,268)</u>
The Consolidated Company's share in associate's net assets at end of year	(116,580)
Add: goodwill	<u>116,580</u>
Carrying amounts of investments accounted for using equity method	<u><u>\$ -</u></u>
2) The financial information on Cameo is summarized as follows:	
	<b>December 31, 2021</b>
Current assets	\$ 1,693,178
Non-current assets	3,397,654
Current liabilities	875,644
Non-current liabilities	<u>1,084,837</u>
Net assets	<u><u>\$ 3,130,351</u></u>
Net assets attributable to investee's shareholders	<u><u>\$ 3,130,351</u></u>
	<b>2021</b>
Operating revenue	<u><u>\$ 2,479,234</u></u>
Net income	\$ 390,654
Other comprehensive loss	<u>(57,188)</u>
Total comprehensive income	<u><u>\$ 333,466</u></u>
Total comprehensive income attributable to investee's shareholders	<u><u>\$ 333,466</u></u>

(Continued)

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

	<b>2021</b>
The Consolidated Company's share in associate's net assets at beginning of year	\$ -
Comprehensive income attributable to the Consolidated Company	189,571
Increase of investment	<u>1,111,981</u>
The Consolidated Company's share in associate's net assets at end of year	1,301,552
Less: unrealized gains or losses	(9,185)
Add: goodwill	<u>102,489</u>
Carrying amounts of investments accounted for using equity method	<u><u>\$ 1,394,856</u></u>

3) The financial information of insignificant associates

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

	<b>December 31, 2021</b>
Carrying amounts of insignificant associates	<u><u>\$ 13,059</u></u>

	<b>2021</b>
Attributable to the Consolidated Company	
Profit from continuing operations	\$ 1,115
Other comprehensive income	<u>198</u>
Total comprehensive income	<u><u>\$ 1,313</u></u>

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cameo	<u><u>\$ 1,567,876</u></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 \$414,471 thousand. The Consolidated Company increased investments amounted \$799,999 thousand in Cameo on February 17, 2021 and became to hold 41.58% shares of Cameo after increasing investments. Therefore, the Consolidated Company had a significant influence on Cameo and accounted for investments accounted for using equity methods.

5) In 2020, the Consolidated Company disposed the investments of Alpha and gain on disposals by using the equity method was \$1,292,494 thousand.

(Continued)

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

(ii) Pledges

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

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

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

	December 31, 2021	December 31, 2020
Current assets	\$ 1,624,500	1,374,919
Non-current assets	541,480	561,306
Current liabilities	753,636	594,912
Non-current liabilities	<u>15,976</u>	<u>25,432</u>
Net assets	<u>\$ 1,396,368</u>	<u>1,315,881</u>
Net assets attributable to non-controlling interests	<u>\$ 524,978</u>	<u>480,860</u>
	<b>2021</b>	<b>2020</b>
Operating revenues	<u>\$ 3,197,447</u>	<u>2,639,783</u>
Net profit	\$ 161,114	144,211
Other comprehensive loss	<u>(46,985)</u>	<u>(72,906)</u>
Total comprehensive income	<u>\$ 114,129</u>	<u>71,305</u>
Net income attributable to non-controlling interests	<u>\$ 78,914</u>	<u>70,635</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 55,901</u>	<u>34,925</u>

(Continued)

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

	2021	2020
Cash flows from operating activities	\$ 3,100	322,280
Cash flows used in investing activities	(61,344)	(150,104)
Cash flows used in financing activities	<u>(24,134)</u>	<u>(13,745)</u>
Net (decrease) increase in cash and cash equivalents	<u>\$ (82,378)</u>	<u>158,431</u>
Cash dividends paid to non-controlling interests	<u>\$ 11,783</u>	<u>6,690</u>

(h) Property, plant and equipment

	2021				
	Balance at January 1, 2021	Increase	Decrease	Others	Balance at December 31, 2021
Cost:					
Land	\$ 544,586	-	-	(447)	544,139
Buildings	875,425	717	-	(11,330)	864,812
Others	<u>1,360,132</u>	<u>41,658</u>	<u>(145,694)</u>	<u>(32,715)</u>	<u>1,223,381</u>
	<u>2,780,143</u>	<u>42,375</u>	<u>(145,694)</u>	<u>(44,492)</u>	<u>2,632,332</u>
Accumulated depreciation:					
Buildings	534,595	15,644	-	(3,757)	546,482
Others	<u>1,215,877</u>	<u>69,718</u>	<u>(145,025)</u>	<u>(29,445)</u>	<u>1,111,125</u>
	<u>1,750,472</u>	<u>85,362</u>	<u>(145,025)</u>	<u>(33,202)</u>	<u>1,657,607</u>
	<u>\$ 1,029,671</u>	<u>(42,987)</u>	<u>(669)</u>	<u>(11,290)</u>	<u>974,725</u>
	2020				
	Balance at January 1, 2020	Increase	Decrease	Others	Balance at December 31, 2020
Cost:					
Land	\$ 548,005	-	-	(3,419)	544,586
Buildings	920,936	1,488	-	(46,999)	875,425
Others	<u>1,386,319</u>	<u>76,421</u>	<u>(75,475)</u>	<u>(27,133)</u>	<u>1,360,132</u>
	<u>2,855,260</u>	<u>77,909</u>	<u>(75,475)</u>	<u>(77,551)</u>	<u>2,780,143</u>
Accumulated depreciation:					
Buildings	527,920	17,215	-	(10,540)	534,595
Others	<u>1,245,586</u>	<u>70,598</u>	<u>(74,894)</u>	<u>(25,413)</u>	<u>1,215,877</u>
	<u>1,773,506</u>	<u>87,813</u>	<u>(74,894)</u>	<u>(35,953)</u>	<u>1,750,472</u>
	<u>\$ 1,081,754</u>	<u>(9,904)</u>	<u>(581)</u>	<u>(41,598)</u>	<u>1,029,671</u>

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

(Continued)



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(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	108,011	-	2,257	110,268
Decrease	(233,925)	(394)	-	(234,319)
Others	<u>(60,708)</u>	<u>424</u>	<u>(12,402)</u>	<u>(72,686)</u>
Balance at December 31, 2021	<u>\$ 457,383</u>	<u>8,077</u>	<u>48,109</u>	<u>513,569</u>
Balance at January 1, 2020	\$ 655,620	6,206	49,336	711,162
Increase	126,205	4,638	17,915	148,758
Decrease	(123,579)	(2,746)	(9,596)	(135,921)
Others	<u>(14,241)</u>	<u>(51)</u>	<u>599</u>	<u>(13,693)</u>
Balance at December 31, 2020	<u>\$ 644,005</u>	<u>8,047</u>	<u>58,254</u>	<u>710,306</u>
Accumulated Depreciation:				
Balance at January 1, 2021	\$ 212,885	3,080	24,183	240,148
Increase	124,855	2,339	17,145	144,339
Decrease	(122,643)	(3,010)	(8,673)	(134,326)
Others	<u>(11,663)</u>	<u>(236)</u>	<u>(2,868)</u>	<u>(14,767)</u>
Balance at December 31, 2021	<u>\$ 203,434</u>	<u>2,173</u>	<u>29,787</u>	<u>235,394</u>
Balance at January 1, 2020	\$ 139,283	2,421	15,381	157,085
Increase	137,767	2,654	17,778	158,199
Decrease	(61,248)	(967)	(9,596)	(71,811)
Others	<u>(2,917)</u>	<u>(1,028)</u>	<u>620</u>	<u>(3,325)</u>
Balance at December 31, 2020	<u>\$ 212,885</u>	<u>3,080</u>	<u>24,183</u>	<u>240,148</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 253,949</u>	<u>5,904</u>	<u>18,322</u>	<u>278,175</u>
Balance at December 31, 2020	<u>\$ 431,120</u>	<u>4,967</u>	<u>34,071</u>	<u>470,158</u>

The Consolidated Company leases offices and warehouses under an operating lease in 2021 and 2020, please refer to note 6(r).

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**Notes to the Consolidated Financial Statements**

(j) Investment property

	2021			
	Balance at January 1, 2021	Increase	Decrease	Balance at December 31, 2021
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>11,924</u>	<u>396</u>	<u>-</u>	<u>12,320</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,272</u>	<u>(396)</u>	<u>-</u>	<u>38,876</u>
	2020			
	Balance at January 1, 2020	Increase	Decrease	Balance at December 31, 2020
Cost:				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:				
Buildings	<u>11,527</u>	<u>397</u>	<u>-</u>	<u>11,924</u>
Accumulated impairment:				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,669</u>	<u>(397)</u>	<u>-</u>	<u>39,272</u>
		<b>December 31, 2021</b>	<b>December 31, 2020</b>	
Book value		<u>\$ 38,876</u>	<u>39,272</u>	
Fair value		<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(y). Besides, direct operating expenses related to investment property were \$296 thousand and \$301 thousand in 2021 and 2020.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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As of December 31, 2021 and 2020, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

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

(k) Intangible assets

	Balance at January 1, 2021	2021				Balance at December 31, 2021
		Increase	Decrease	Amortization	Others	
Goodwill	\$ 295,459	-	-	-	(7,941)	287,518
Trademark	136,579	-	-	-	(3,919)	132,660
Patents	17,719	-	-	(2,692)	-	15,027
Computer software costs	43,113	4,147	(2,321)	(25,800)	-	19,139
Other intangible assets	18,459	14,672	-	(14,772)	(465)	17,894
	<u>\$ 511,329</u>	<u>18,819</u>	<u>(2,321)</u>	<u>(43,264)</u>	<u>(12,325)</u>	<u>472,238</u>
	Balance at January 1, 2020	2020				Balance at December 31, 2020
		Increase	Decrease	Amortization	Others	
Goodwill	\$ 308,477	-	-	-	(13,018)	295,459
Trademark	144,235	-	-	-	(7,656)	136,579
Patents	20,411	-	-	(2,692)	-	17,719
Computer software costs	72,667	2,849	-	(32,403)	-	43,113
Other intangible assets	40,518	799	-	(21,723)	(1,135)	18,459
	<u>\$ 586,308</u>	<u>3,648</u>	<u>-</u>	<u>(56,818)</u>	<u>(21,809)</u>	<u>511,329</u>

(l) Long-term and short-term borrowings

As of December 31, 2021 and 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:

	December 31, 2021	December 31, 2020
Short-term loans	<u>\$ 4,234,496</u>	<u>3,464,541</u>
Long-term loans	<u>\$ 500,000</u>	<u>500,000</u>

(m) Other Payables

	December 31, 2021	December 31, 2020
Salary payable	\$ 321,201	424,263
Other payable-other	586,649	956,462
	<u>\$ 907,850</u>	<u>1,380,725</u>

(Continued)

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

(n) Lease liabilities

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

	December 31, 2021	December 31, 2020
Current	\$ <u>142,551</u>	<u>147,068</u>
Non-current	\$ <u>297,900</u>	<u>349,906</u>

The amounts recognized in profit or loss were as follows:

	2021	2020
Interests on lease liabilities	\$ <u>16,777</u>	<u>18,225</u>
Expenses relating to short-term leases	\$ <u>46,917</u>	<u>53,090</u>
COVID-19-related rent concessions	\$ <u>(52)</u>	<u>(438)</u>

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

	2021	2020
Total cash outflow for leases	\$ <u>230,433</u>	<u>296,102</u>

(i) Real estate leases

As of December 31, 2021, the Consolidated Company leases buildings for its office space. The leases of office space typically run for one to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

(o) Current provisions

	2021					Balance at December 31, 2021
	Balance at January 1, 2021	Increased	Used	Reversed	Effect of exchange	
Warranties	\$ 127,303	12,950	(21,717)	-	(3,804)	114,732
Legal proceedings and royalties	<u>132,650</u>	<u>52,431</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(1,138)</u>	<u>119,067</u>
	<u>\$ 259,953</u>	<u>65,381</u>	<u>(30,965)</u>	<u>(55,628)</u>	<u>(4,942)</u>	<u>233,799</u>

(Continued)

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

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

(p) Refund liabilities

	December 31, 2021	December 31, 2020
Refund liabilities	<u>\$ 456,699</u>	<u>555,409</u>

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

(q) Bonds payable

Exchangeable corporate bonds

	December 31, 2020
Exchangeable bonds	\$ 1,200,000
Less: Accumulated exchanged bonds	(1,199,400)
Due for repayment	(600)
Balance of exchangeable bonds	<u>\$ -</u>

	2020
Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ 34,967</u>
Interest expense	<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.

(Continued)

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

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

- (i) Total issuance amount:

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

- (ii) Duration:

June 17, 2015 to June 17, 2020.

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

- (iv) Payment term

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

- (v) Exchange period:

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

- (vi) Exchange price:

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

(Continued)

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

(vii) Early redemption option:

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

(viii) Put options:

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

(r) 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Within one year	\$ 353	771
One to two years	<u>-</u>	<u>353</u>
Total undiscounted lease payments	<u><b>\$ 353</b></u>	<u><b>1,124</b></u>

(Continued)

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

(s) Employee benefits

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligations	\$ 86,814	91,577
Fair value of plan assets	<u>(75,551)</u>	<u>(80,892)</u>
Net defined benefit liabilities	<b><u>\$ 11,263</u></b>	<b><u>10,685</u></b>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$75,551 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<b>2021</b>	<b>2020</b>
Defined benefit obligations at January 1	\$ 91,577	104,051
Current service costs and interests	1,197	2,186
Remeasurement of the net defined benefit liabilities		
— Actuarial losses due to changes in demographic assumption	118	-
— Actuarial (gains) and losses from changes in the financial assumptions	(5,109)	9,130
— Actuarial (gains) and losses from changes in experience adjustments	7,971	(10,722)
Benefits paid	<u>(8,940)</u>	<u>(13,068)</u>
Defined benefit obligations at December 31	<b><u>\$ 86,814</u></b>	<b><u>91,577</u></b>

(Continued)



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

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2021 and 2020 for the Company were as follows:

	<b>2021</b>	<b>2020</b>
Fair value of plan assets at January 1	\$ 80,892	87,839
Interest income	324	995
Remeasurement of the net plan assets		
— Actuarial return on plan assets (excluding interests)	1,293	2,942
Contributions made	1,982	2,184
Benefits paid	<u>(8,940)</u>	<u>(13,068)</u>
Fair value of plan assets at December 31	<u><b>\$ 75,551</b></u>	<u><b>80,892</b></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for 2021 and 2020 for the Company were as follow:

	<b>2021</b>	<b>2020</b>
Current service costs	\$ 831	1,019
Net interest on the net defined benefit liabilities	<u>42</u>	<u>172</u>
	<u><b>\$ 873</b></u>	<u><b>1,191</b></u>

	<b>2021</b>	<b>2020</b>
Operating costs	\$ 14	23
Selling expenses	485	615
Administrative expenses	164	219
Research and development expenses	<u>210</u>	<u>334</u>
	<u><b>\$ 873</b></u>	<u><b>1,191</b></u>

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

The Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income as of December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 47,330	51,864
Recognized	<u>1,687</u>	<u>(4,534)</u>
Balance on December 31	<u><b>\$ 49,017</b></u>	<u><b>47,330</b></u>

(Continued)

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

6) Actuarial assumptions

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

	<b>2021.12.31</b>	<b>2020.12.31</b>
Discount rate	0.800 %	0.400 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of \$1,665 thousand to the defined benefit plans for the next annual reporting period.

The weighted average duration of defined benefit plans were 14.00 years and 15.00 years in 2021 and 2020, respectively.

7) Sensitivity analysis

As of December 31, 2021 and 2020, the impact on present value due to the changes in the actuarial assumptions was as follows:

	<b>Effective of defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (0.25% change)	\$ (2,955)	3,080
Future salary increases (0.25% change)	2,788	(2,696)
December 31, 2020		
Discount rate (0.25% change)	(3,301)	3,449
Future salary increases (0.25% change)	3,124	(3,014)

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

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

(ii) Defined contribution plans

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

(Continued)

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

The amount of the Consolidated Company's pension expenses under defined contribution pension plans in 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Operating costs	\$ <u>5,908</u>	<u>6,504</u>
Operating expenses	\$ <u>125,698</u>	<u>128,248</u>

(t) Income Taxes

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

	<b>2021</b>	<b>2020</b>
Current income tax expense	\$ 85,199	115,228
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	<u>(8,587)</u>	<u>70,938</u>
Income tax expenses	\$ <u>76,612</u>	<u>186,166</u>

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

	<b>2021</b>	<b>2020</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>(45,730)</u>	<u>(68,189)</u>

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

	<b>2021</b>	<b>2020</b>
Profit before income tax	\$ <u>394,723</u>	<u>1,496,726</u>
Income tax using the Company's statutory tax rate	78,945	299,345
Effect of tax rate in foreign jurisdiction	(18)	(66,149)
Share of loss of associates accounted for using equity method	(22,223)	(3,689)
Tax-exempt income	(41,730)	(13,682)
Change in unrecognized temporary differences	(12,032)	23,574
Income tax adjustments on prior years and others	<u>73,670</u>	<u>(53,233)</u>
	\$ <u>76,612</u>	<u>186,166</u>

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

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Deductible temporary differences		
Unrealized expenses	\$ 91,619	108,593
Provisions for warranty	12,572	13,912
Unrealized impairment	24,318	24,318
Write-down of inventories to net realizable value	39,998	42,136
Others	<u>60,350</u>	<u>70,727</u>
	<u>228,857</u>	<u>259,686</u>
Operating loss carry forward	<u>1,114,593</u>	<u>1,095,796</u>
	<b><u>\$ 1,343,450</u></b>	<b><u>1,355,482</u></b>

(ii) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	Intra-group transactions	Exchange differences on translation of foreign financial statements	Unrealized expenses	Write-down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:								
Balance at January 1, 2021	\$ 65,518	277,881	20,856	25,945	874	288,955	65,606	745,635
Recognized in profit or loss	(22,253)	-	5,310	43,336	(483)	81,791	(29,110)	78,591
Exchange differences on translation of foreign financial statements	-	45,730	-	-	-	-	-	45,730
Balance at December 31, 2021	<u>\$ 43,265</u>	<u>323,611</u>	<u>26,166</u>	<u>69,281</u>	<u>391</u>	<u>370,746</u>	<u>36,496</u>	<u>869,956</u>
Balance at January 1, 2020	\$ 96,045	209,692	29,882	36,323	2,318	192,003	67,984	634,247
Recognized in profit or loss	(30,527)	-	(9,026)	(10,378)	(1,444)	96,952	(2,378)	43,199
Exchange differences on translation of foreign financial statements	-	68,189	-	-	-	-	-	68,189
Balance at December 31, 2020	<u>\$ 65,518</u>	<u>277,881</u>	<u>20,856</u>	<u>25,945</u>	<u>874</u>	<u>288,955</u>	<u>65,606</u>	<u>745,635</u>

(Continued)

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

	<b>Investments under equity method</b>	<b>Others</b>	<b>Total</b>
Deferred income tax liabilities:			
Balance at January 1, 2021	\$ 242,431	40,402	282,833
Recognized in profit or loss	<u>54,148</u>	<u>15,856</u>	<u>70,004</u>
Balance at December 31, 2021	<u><u>\$ 296,579</u></u>	<u><u>56,258</u></u>	<u><u>352,837</u></u>
Balance at January 1, 2020	\$ 143,177	25,519	168,696
Recognized in profit or loss	<u>99,254</u>	<u>14,883</u>	<u>114,137</u>
Balance at December 31, 2020	<u><u>\$ 242,431</u></u>	<u><u>40,402</u></u>	<u><u>282,833</u></u>

In accordance with the laws of each registered country, the assessed losses can be used to offset current-year net income. In addition, pursuant to the ROC Income Tax Act, net loss of the Company and Yeotai as assessed by the tax authorities can be carried forward for ten consecutive years to reduce future taxable income. As of December 31, 2021, the Consolidated Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

<b>Consolidated entity</b>	<b>Year of loss</b>	<b>Year of expiry</b>	<b>Unused amount</b>
The Company	2017	2027	1,740,912
The Company	2019	2029	162,350
The Company	2020	2030	654,895
The Company	2021	2031	206,641
Yeotai	2014	2024	2,813
Yeotai	2016	2026	1,330
Yeotai	2019	2029	5,947
D-Link Europe	2003, 2015~2016 and 2021	Unlimited	45,637
D-Link Brazil	2014~2019 and 2021	Unlimited	781,261
D-Link Shiang-Hai	2017~2020	2022~2025	303,487
D-Link Mexicana	2014~2015 and 2017~2019	2024~2025 and 2027~2029	103,205
D-Link Systems	2018~2021	2038~2041	544,139
D-Link International	2015~2019	Unlimited	1,382,687
D-Link Korea	2012~2019 and 2021	2022~2029 and 2031	<u>63,887</u>
			<u><u>\$ 5,999,191</u></u>

The income tax returns of the Company and Yeotai have been examined by the tax authority through 2019.

(Continued)

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

(u) Capital and other equity

(i) Common stock

As of December 31, 2021, and 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 December 31, 2021 and 2020, the paid-in Consolidated Company's authorized common stock consisted 599,837 thousand and 651,996 thousand shares, with a par value of \$10 per share, amounting to \$5,998,365 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 Consolidated 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 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Common stock in excess of par value	\$ 1,217,030	1,217,030
Treasury share transactions	39,310	39,310
Changes in equities of associates accounted for using equity method	-	740
Expiry of share-based payment transactions	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Consolidated Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<b><u>\$ 1,522,573</u></b>	<b><u>1,523,313</u></b>

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.

(Continued)

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

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

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

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	(343,882)	54,984	-
Associates	871	(14,416)	-
Disposal	-	45,599	-
Balance at December 31, 2021	<u>\$ (1,863,596)</u>	<u>(2,439)</u>	<u>-</u>
Balance at January 1, 2020	\$ (1,236,701)	(165,102)	(3,484)
The Consolidated Company	(335,773)	16,739	-
Associates	51,889	59,684	3,484
Disposal	-	73	-
Balance at December 31, 2020	<u>\$ (1,520,585)</u>	<u>(88,606)</u>	<u>-</u>

(v) Non-controlling interests

	2021	2020
Balance at the beginning of the period	\$ 480,860	452,625
Net income attributable to non-controlling interest:		
Net income	78,914	70,635
Exchange differences on translation of foreign financial statements	(23,013)	(35,710)
Cash dividends distributed by subsidiaries	<u>(11,783)</u>	<u>(6,690)</u>
Balance at the end of the period	<u>\$ 524,978</u>	<u>480,860</u>

(v) Earnings per share

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

(i) Basic earnings per share

	2021	2020
Net profit of the parent company for the year	<u>\$ 239,197</u>	<u>1,239,925</u>
Outstanding ordinary shares	<u>634,610</u>	<u>651,996</u>
Basic earnings per share	<u>\$ 0.38</u>	<u>1.90</u>

(Continued)



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

- (ii) Diluted earnings per share

	<b>2021</b>	<b>2020</b>
Net profit of the parent company for the year	\$ <u><b>239,197</b></u>	<u><b>1,239,925</b></u>
Weighted average number of outstanding ordinary shares (basic)	634,610	651,996
Employees' compensation has not been resolved by the Board meeting	<u>1,071</u>	<u>1,496</u>
Weighted average number of ordinary shares (diluted)	<u><b>635,681</b></u>	<u><b>653,492</b></u>
Diluted earnings per share	<u><b>0.38</b></u>	<u><b>1.90</b></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.

- (w) Revenue from contracts with customers

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

<b>Major product / service lines</b>	<b>2021</b>	<b>2020</b>
Network communication products	\$ 15,364,507	15,016,762
Services	<u>160,394</u>	<u>162,681</u>
	<u><b>\$ 15,524,901</b></u>	<u><b>15,179,443</b></u>
<b>Primary geographical markets</b>	<b>2021</b>	<b>2020</b>
Europe	\$ 3,509,222	3,110,121
Others	<u>12,015,679</u>	<u>12,069,322</u>
	<u><b>\$ 15,524,901</b></u>	<u><b>15,179,443</b></u>

- (ii) Contract liabilities

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current contract liabilities (sales)	<u><b>\$ 134,833</b></u>	<u><b>123,995</b></u>

- 2) The Consolidated company recognized \$70,256 thousand and \$81,378 thousand in sales from the beginning balance of contract liabilities for the year ended December 31, 2021 and 2020, respectively.

(Continued)

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

(x) Employees' compensation and Directors' remuneration

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

In 2021 and 2020, the Company estimated its Employees' compensation amounted to \$12,621 thousand and \$42,936 thousand, respectively, and Directors' remuneration amounted to \$1,262 thousand and \$0 thousand, respectively. The estimated amounts mentioned above are calculated based on the profit before tax, excluding the Employees' compensation and Directors' remuneration of each period, multiplied by the percentage of Employees' compensation and Directors' remuneration as specified in the Company's Articles of Association. These remunerations were expensed under operating expenses during 2021 and 2020.

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 \$8,544 thousand shall be accounted for as a change in accounting estimate and shall be recognized in the current year. Related information would be available at the Market Observation Post System website.

(y) Other income and losses

(i) Interest income

	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 31,748	16,524
Other interest income	<u>16,249</u>	<u>-</u>
Total	<u><b>\$ 47,997</b></u>	<u><b>16,524</b></u>

(ii) Other income

	<b>2021</b>	<b>2020</b>
Rent income	\$ 2,707	1,663
Dividend income	<u>1,155</u>	<u>879</u>
Total	<u><b>\$ 3,862</b></u>	<u><b>2,542</b></u>

(Continued)

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

(iii) Other gains and losses

	<b>2021</b>	<b>2020</b>
Gain on disposals of investments	\$ 6,487	1,297,668
Foreign exchange losses	(34,474)	(11,695)
Valuation losses from financial assets and liabilities	(19,335)	(14,478)
Others	<u>51,713</u>	<u>71,247</u>
Total	<u><u>\$ 4,391</u></u>	<u><u>1,342,742</u></u>

(iv) Finance costs

	<b>2021</b>	<b>2020</b>
Interest expense	\$ (9,131)	(10,059)
Lease liability interests	<u>(16,777)</u>	<u>(18,225)</u>
Total	<u><u>\$ (25,908)</u></u>	<u><u>(28,284)</u></u>

(z) Reclassification adjustments of components of other comprehensive income

Details of the reclassification adjustments of components of other comprehensive income in 2021 and 2020 were summarized as follow:

	<b>2021</b>	<b>2020</b>
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ (389,612)	(403,962)
Change in exchange from non-controlling interests	<u>(23,013)</u>	<u>(35,710)</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u><u>\$ (412,625)</u></u>	<u><u>(439,672)</u></u>
Share of other comprehensive income of subsidiaries and associates accounted for using equity method		
Change in foreign currency exchange from associates	\$ 871	(3,343)
Reclassification to profit or loss	-	55,517
Change in other equity interest from associates	<u>-</u>	<u>3,199</u>
Share of other comprehensive income	<u><u>\$ 871</u></u>	<u><u>55,373</u></u>

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

(aa) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	\$ 2,195,080	6,216,327
Financial assets at fair value through profit or loss - current	279,344	238,951
Notes receivable, accounts receivable and other receivables (including related parties)	3,704,572	3,119,834
Finance lease payment receivable (current and non-current)	155,879	-
Financial assets at fair value through other comprehensive income - non-current	33,300	454,435
Refundable deposits and other current assets	<u>77,143</u>	<u>222,152</u>
	<b><u>\$ 6,445,318</u></b>	<b><u>10,251,699</u></b>

2) Financial liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial liabilities at fair value through profit or loss - current	\$ 16,368	18,324
Notes payable, accounts payable and other payables (including related parties)	3,532,487	4,125,129
Guarantee deposits received	82,860	70,284
Lease liability (current and non-current)	<u>440,451</u>	<u>496,974</u>
	<b><u>\$ 4,072,166</u></b>	<b><u>4,710,711</u></b>

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2021 and 2020, the maximum exposure to credit risk has amounted to \$6,445,318 thousand and \$10,251,699 thousand, respectively.

(Continued)

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

(iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Notes payable	\$ 11	11	11	-	-	-	-
Accounts payable	2,336,740	2,336,740	2,336,740	-	-	-	-
Accounts payable - related parties	287,886	287,886	287,886	-	-	-	-
Other payables	907,850	907,850	907,850	-	-	-	-
Lease liability	440,451	469,512	83,910	70,557	101,921	202,940	10,184
Guarantee deposits received	82,860	82,860	82,860	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	13,722	1,883,133	1,883,133	-	-	-	-
Inflow	-	1,869,634	1,869,634	-	-	-	-
Forward foreign exchange contracts							
Outflow	2,646	558,157	558,157	-	-	-	-
Inflow	-	545,260	545,260	-	-	-	-
	<u>\$ 4,072,166</u>	<u>8,941,043</u>	<u>8,555,441</u>	<u>70,557</u>	<u>101,921</u>	<u>202,940</u>	<u>10,184</u>
	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
<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>

(Continued)

**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:

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<b>Financial assets (note):</b>							
Monetary items:							
CLP	\$	94,235	0.04	3,069	203,714	0.04	8,165
JPY		1,051,213	0.24	253,026	1,438,073	0.28	396,985
CAD		11,342	21.74	246,587	16,704	22.40	374,126
USD		173,724	27.69	4,810,424	218,439	28.51	6,227,244
MXN		2,274	1.38	3,059	2,218	1.43	3,171
BRL		41,159	4.96	204,229	25,011	5.49	137,208
AUD		5,750	20.08	115,478	7,530	21.96	165,355
				<u>\$</u>	<u>5,635,872</u>		<u>7,312,254</u>
Non-monetary items:							
USD	\$	10,210	27.69	<u>282,716</u>	7,754	28.51	<u>221,056</u>
Derivative instruments:							
EUR		14	31.36	437	345	34.84	12,011
JPY		1,163	0.24	280	32,059	0.28	8,850
RUB	-	-	-	-	569	0.39	220
BRL	-	-	-	-	101	5.49	554
CAD	-	-	21.74	<u>4</u>	-	-	<u>-</u>
				<u>\$</u>	<u>721</u>		<u>21,635</u>
<b>Financial liabilities (note):</b>							
Monetary items:							
JPY	\$	1,949,949	0.24	469,350	2,022,386	0.28	557,803
CAD		888	21.74	19,316	1,359	22.40	30,440
EUR		10,051	31.36	315,254	10,045	34.84	349,937
BRL		21,834	4.96	108,341	26,604	5.49	145,944
USD		114,882	27.69	3,181,083	120,732	28.51	3,441,834
CLP		162,786	0.04	5,301	180,271	0.04	7,226
AUD		1,668	20.08	33,494	2,740	21.96	60,160
MXN		111	1.38	150	104	1.43	148
				<u>\$</u>	<u>4,132,289</u>		<u>4,593,492</u>
Derivative instruments:							
EUR	\$	119	31.36	3,736	91	34.84	3,184
GBP		16	37.39	607	-	-	-
CAD		9	21.74	187	36	22.40	797
JPY		29,626	0.24	7,131	5,040	0.28	1,391
KRW		3,866	0.03	104	30,795	0.03	828
BRL		264	4.96	1,309	103	5.49	565
USD		46	27.69	1,278	32	28.51	917
CNH		331	4.34	1,439	1,863	4.37	8,140
AUD		12	20.08	243	114	21.96	2,502
RUB		896	0.37	334	-	-	-
				<u>\$</u>	<u>16,368</u>		<u>18,324</u>

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

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

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 years ended December 31, 2021 and 2020 would have increased or decreased the net income (loss) after tax by \$21,654 thousand and \$35,273 thousand and increased or decreased the equity by \$61 thousand and \$56 thousand, respectively, assuming all other variables were held constant.

(v) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

<b>December 31, 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	\$ 278,623	278,623	-	-
Financial assets at fair value through other comprehensive income	33,300	29,207	-	4,093
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	721	-	721	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss - current	16,368	-	16,368	-
<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

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

	December 31, 2020			
Assets and liabilities	Total	Level 1	Level 2	Level 3
<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	-

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

In 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	<u>354</u>
Balance at December 31, 2021	<u><u>\$ 4,093</u></u>
Balance at January 1, 2020	\$ 2,560
Recognized in other comprehensive income	<u>1,179</u>
Balance at December 31, 2020	<u><u>\$ 3,739</u></u>

For the years ended December 31, 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:

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

	<b>2021</b>	<b>2020</b>
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	354	1,179

- 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.

	December 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Non-financial assets:				
Investment property	\$ 38,876	51,328	39,272	51,328
	December 31, 2021			
Assets and liabilities	Total	Level 1	Level 2	Level 3
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328
	December 31, 2020			
Assets and liabilities	Total	Level 1	Level 2	Level 3
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328

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

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.

(ab) 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 risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

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

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

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

(iii) Credit risk

Credit risk is the risk of financial loss to the 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 December 31, 2021 and 2020, revenue from each customer does not exceed 10% of the Consolidated Company's revenue, therefore, there is no concentration of credit risk.

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

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

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

(Continued)

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

2) Investment in securities and derivative financial instruments

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

3) Guarantees

The Consolidated Company's policies is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 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 \$4,734,496 thousand as of December 31, 2021.

(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), Indonesian Rupiah (IDR), BRL, and so on.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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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.

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.

(ac) 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.

(Continued)

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

Debt-to-equity ratio:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 5,501,528	6,209,875
Less: cash and cash equivalents	<u>(2,195,080)</u>	<u>(6,216,327)</u>
Net debt	<u>\$ 3,306,448</u>	<u>(6,452)</u>
Total equity	<u>\$ 9,002,336</u>	<u>9,740,355</u>
Debt-to-equity ratio	<u>36.73%</u>	<u>(0.07)%</u>

As of December 31, 2021, the methods of the Consolidated Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 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(q).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Exchange	Fair value changes	Others	
Lease liabilities	\$ 496,974	(166,739)	-	-	110,216	440,451
Others	<u>70,284</u>	<u>12,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,860</u>
Total liabilities from financing activities	<u>\$ 567,258</u>	<u>(154,163)</u>	<u>-</u>	<u>-</u>	<u>110,216</u>	<u>523,311</u>

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Exchange	Fair value changes	Others	
Bonds payable	\$ 301,003	(608)	(302,502)	2,107	-	-
Lease liabilities	604,474	(225,225)	-	-	117,725	496,974
Others	<u>69,121</u>	<u>1,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,284</u>
Total liabilities from financing activities	<u>\$ 974,598</u>	<u>(224,670)</u>	<u>(302,502)</u>	<u>2,107</u>	<u>117,725</u>	<u>567,258</u>

(Continued)

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

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

<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.)
Dongguam Mingrui	An associate (Since all the equity shares in Alpha Networks, Inc. have been sold, it became a non-related party after November 30, 2020.)
D-Link Asia Investment Pte Ltd.	An associate (Since all the equity shares in Alpha Networks, Inc. have been sold, it became a non-related party after November 30, 2020.)
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 (T-COM)	An associate
Yeochia Investment Ltd	An associate (On November 16, 2021, the shareholders agreed to dissolve the company from December 1, 2021)
Yeomao Investment Inc	An associate (On November 16, 2021, the Board of Directors agreed to dissolve the company from December 1, 2021)

(b) Significant related party transactions

(i) Sales and service revenue

	<b>2021</b>	<b>2020</b>
Associates	\$ 15,597	328
Others	<u>-</u>	<u>63</u>
	<u><u>\$ 15,597</u></u>	<u><u>391</u></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.

(Continued)

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

(ii) Purchases

	<b>2021</b>	<b>2020</b>
Associates:		
Alpha	\$ -	1,236,932
Cameo	1,043,972	-
Other related parties:		
Cameo	-	1,445,981
Amit	2,241	-
Amigo	158,950	-
	<u>\$ 1,205,163</u>	<u>2,682,913</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

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	Associates – Cameo	\$ 86	-
Accounts receivable	Associates – T-COM	10,101	-
Other receivables	Associates – Yeochia	71,169	-
Other receivables	Associates – Yeomao	143,616	-
Other receivables	Other related parties – Cameo	-	29
Other receivables	Other related parties – Amigo	21,942	-
Other receivables	Other related parties – Amit	5,573	-
Prepayment for purchase	Other related parties – Cameo	-	18,520
		<u>\$ 252,487</u>	<u>18,549</u>

The Consolidated Company's other receivables to Associates – Yeochia and Yeomao were arising from the Company's liquidation equity.

(iv) Payables to related parties

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts payable	Associates – Cameo	\$ 176,131	-
Accounts payable	Other related parties – Cameo	-	367,482
Accounts payable	Other related parties – Amigo	109,935	-
Accounts payable	Other related parties – Amit	1,820	-
Other payables	Associates – Cameo	6,310	-

(Continued)



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

Account	Relationship	December 31, 2021	December 31, 2020
Other payables	Other related parties – Cameo	-	18,560
Other payables	Other related parties – Amit	<u>659</u>	<u>-</u>
		<u>\$ 294,855</u>	<u>386,042</u>

The Consolidated Company's other payables to associates included equipment payables and others.

(v) Services purchased from related parties

The services purchased from related parties were as follows:

	2021	2020
Associates:		
Alpha	\$ -	23,593
Cameo	12,208	-
Others	-	151
Other related parties:		
Cameo	-	29,881
Amigo	<u>3,436</u>	<u>-</u>
	<u>\$ 15,644</u>	<u>53,625</u>

(vi) Property transaction

Property, plant, equipment and intangible assets acquired

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

	2021	2020
Associates:		
Alpha	\$ -	5,464
Cameo	3,436	-
Other related parties:		
Cameo	-	10,348
Amigo	<u>5,814</u>	<u>-</u>
	<u>\$ 9,250</u>	<u>15,812</u>

(Continued)

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

(vii) Other income and losses

Account	Relationship	2021	2020
Other gains and losses	Associates – Alpha	\$ -	2,079
Other interest income	Other related parties – Amigo	272	-
Rent income	Other related parties – Amigo	<u>1,300</u>	<u>-</u>
		<u>\$ 1,572</u>	<u>2,079</u>

Other income and losses were composed of directors' remuneration from associates, interest and rental of other related parties.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 85,582	41,997
Post-employee benefits	<u>5,959</u>	<u>1,228</u>
	<u>\$ 91,541</u>	<u>43,225</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	<u>\$ 77,143</u>	<u>52,436</u>

**(9) Significant commitments and contingencies:**

- (a) XR Communications, LLC and DBA VIVATO TECHNOLOGIES filed a lawsuit against the Consolidated 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.

(Continued)

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

- (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 Consolidated Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (e) Israel Consumers Council filed a group lawsuit against the Consolidated Company's subsidiary, D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (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:**

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

By item	By function	For the years ended December 31,					
		2021			2020		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		58,220	2,058,494	2,116,714	66,333	2,235,988	2,302,321
Labor and health insurance		2,381	127,032	129,413	2,635	122,753	125,388
Pension		5,922	126,557	132,479	6,527	129,416	135,943
Others		8,352	236,925	245,277	8,413	238,255	246,668
Depreciation		13,528	216,569	230,097	15,154	231,255	246,409
Amortization		36	43,228	43,264	58	56,760	56,818

(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 (Shiang Hai)	Other receivables-related parties	Yes	43,431	43,431	16,069	4.00	2	-	Operating Capital	-	-	-	2,729,266	2,729,266
1	D-Link International	D-Link Brazil	Other receivables-related parties	Yes	55,380	55,380	-	-	2	-	Operating Capital	-	-	-	2,729,266	2,729,266
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	532,089	532,089	532,089	-	2	-	Convert from Account receivables to loan receivable	-	-	-	2,729,266	2,729,266
2	D-Link Russia Investment	D-Link International	Other receivables-related parties	Yes	681,174	681,174	678,405	-	2	-	Operating Capital	-	-	-	692,110	692,110
3	D-Link Japan K.K.	D-Link Corporation	Other receivables-related parties	Yes	433,258	433,258	433,258	0.50	2	-	Operating Capital	-	-	-	618,181	618,181
4	D-Link Europe	D-Link Corporation	Other receivables-related parties	Yes	313,645	313,645	313,645	1.00	2	-	Operating Capital	-	-	-	1,243,696	1,243,696
5	D-Link (Deutschland) GmbH	D-Link Europe	Other receivables-related parties	Yes	156,822	156,822	97,230	1.00	2	-	Operating Capital	-	-	-	180,707	180,707

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.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Japan K.K.

Note 5: Total amount of loans from D-Link Europe to the 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.

Note 7: Only disclose funding loan limits that are still valid until the end of 2021.

##### (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of grantor	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	116,864	116,864	59,987	-	1.38 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	69,225	69,225	-	-	0.82 %	5,998,365	Y	N	Y
0	D-Link Corporation	D-Link Trade	2	1,999,455	13,845	13,845	-	-	0.16 %	5,998,365	Y	N	N

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

(iii) Securities held as of December 31, 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			Fair value	Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)			
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss-non-current	749,663	-	4.11 %	-	4.11 %	
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss-non-current	83,334	-	1.89 %	-	1.89 %	
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss-non-current	500,000	-	1.84 %	-	1.84 %	
D-Link Corporation	YICHA Information Corporation	None	Financial assets at fair value through profit or loss-non-current	73,500	-	6.68 %	-	6.68 %	
D-Link Corporation	UBICOM	None	Financial assets at fair value through profit or loss-non-current	926,814	-	3.05 %	-	3.05 %	
D-Link Corporation	Purple	None	Financial assets at fair value through profit or loss-non-current	3,385,417	-	14.10 %	-	14.10 %	
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss-non-current	6,600,000	-	2.39 %	-	2.39 %	
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss-non-current	600,000	-	1.88 %	-	1.88 %	
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss-non-current	252,525	-	0.05 %	-	0.05 %	
Yeotai	Stemcyte	None	Financial assets at fair value through other comprehensive income-non-current	18,950	211	0.01 %	211	0.01 %	
Yeotai	Kaimei	None	Financial assets at fair value through other comprehensive income-non-current	289,178	29,207	0.02 %	29,207	0.02 %	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	268,723	34,036	- %	34,036	- %	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	14,742	28,340	- %	28,340	- %	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)		
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,592	33,956	- %	33,956	- %
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,641	34,017	- %	34,017	- %
D-Link India	LIC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	17,040	24,326	- %	24,326	- %
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	14,630	22,603	- %	22,603	- %
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	26,253	33,804	- %	33,804	- %
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	39,038	33,871	- %	33,871	- %
D-Link India	KOTAK MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	21,193	33,668	- %	33,668	- %

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS300 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	364,635	97,680,000	799,999	-	-	-	-	137,532,993	1,394,836

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 NTS300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NTS300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTS100 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	(560,549)	(40) %	60 days	-	-	52,526	23%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	560,549	72 %	60 days	-	-	(52,526)	(3)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sales)	(487,759)	(5) %	75 days	-	-	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sales)	(333,818)	(4) %	60 days	-	-	42,391	1%	

(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 balances	Percentage of total notes/accounts receivable (payable)	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	Sales	(2,835,786)	(30) %	60 days	—	—	620,789	17%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	Sales	(1,466,321)	(16) %	60 days	—	—	550,380	15%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	Sales	(205,412)	(2) %	60 days	—	—	22,568	1%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	Sales	(228,633)	(2) %	75 days	—	—	388,126	11%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	Sales	(494,865)	(5) %	60 days	—	—	113,826	3%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	Sales	(671,294)	(7) %	45 days	—	—	127,348	4%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	Sales	(1,124,943)	(12) %	180 days	—	—	749,994	21%	
D-Link International	Cameo	Cameo is an associate of the consolidated corporation	Purchase	1,029,175	13 %	90 days	—	—	(172,496)	(10)%	
D-Link International	AMIGO	Other relative party	Purchase	148,826	2 %	90 days	—	—	(104,495)	(6)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	487,759	93 %	75 days	—	—	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	333,818	99 %	60 days	—	—	(42,391)	(95)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	2,835,786	97 %	60 days	—	—	(620,789)	(86)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,466,321	55 %	60 days	—	—	(550,380)	(81)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	205,412	91 %	60 days	—	—	(22,568)	(99)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	228,633	93 %	75 days	—	—	(388,126)	(97)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	494,865	90 %	60 days	—	—	(113,826)	(98)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	671,294	22 %	45 days	—	—	(127,348)	(22)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,124,943	98 %	180 days	—	—	(749,994)	(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	620,789	7.00	-	-	124,112	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	581,967	-	585,667	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	388,126	0.81	381,121	-	-	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	113,826	3.12	-	-	30,741	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	749,994	1.61	-	-	-	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	127,348	5.19	5	-	23,720	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	550,380	4.17	-	-	230	-

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

Note 2: The amount represents collections subsequent to December 31, 2021 up to January 21, 2022.

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	4,000	73	73
D-Link International	Forward foreign exchange contract	EUR (Sell)	EUR	3,000	364	364
D-Link International	Forward foreign exchange contract	CAD (Sell)	CAD	700	4	4
D-Link International	Forward foreign exchange contract	JPY (Sell)	JPY	448,900	280	280
D-Link Corporation	Cross currency swap	USD	USD	1,700	(270)	(270)
D-Link Corporation	Cross currency swap	EUR	EUR	10,000	(2,402)	(2,402)
D-Link Corporation	Cross currency swap	JPY	JPY	1,800,000	(7,131)	(7,131)
D-Link International	Cross currency swap	CAD	CAD	1,100	(187)	(187)
D-Link International	Cross currency swap	CNH	CNH	133,670	(1,439)	(1,439)
D-Link International	Cross currency swap	EUR	EUR	12,000	(1,334)	(1,334)
D-Link International	Cross currency swap	AUD	AUD	300	(94)	(94)
D-Link International	Cross currency swap	GBP	GBP	1,000	(531)	(531)
D-Link International	Cross currency swap	RUB	RUB	150,028	(334)	(334)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR	188,766	(1,008)	(1,008)
D-Link International	Forward foreign exchange contract	AUD(Sell)	AUD	1,000	(149)	(149)
D-Link International	Forward foreign exchange contract	GBP(Sell)	GBP	500	(76)	(76)

(Continued)



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

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount		Book Value	Fair Value
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL	80,445	(1,309)	(1,309)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW	2,144,020	(104)	(104)

(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	1,299,802	-	9%
0	D-Link Corporation	D-Link Canada	1	Investments accounted for using equity method	279,408	-	2%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,205,874	-	15%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,684,900	-	12%
0	D-Link Corporation	D-Link Australia	1	Investments accounted for using equity method	149,831	-	1%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	797,810	-	6%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	647,670	-	4%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(565,620)	-	(4)%
0	D-Link Corporation	Cameo	1	Investments accounted for using equity method	1,394,856	-	10%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	560,549	60 days	4%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	888,913	-	6%
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	1,173,116	-	8%
1	D-Link Holding	Success Stone	3	Investments accounted for using equity method	147,272	-	1%
1	D-Link Holding	D-Link Shiang-Hai (Cayman) Inc.	3	Investments accounted for using equity method-credit	(539,232)	-	(4)%
2	D-Link International	D-Link L.A.	3	Accounts receivable-related party	581,967	75 days	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			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
2	D-Link International	D-Link Brazil	3	Accounts receivable-related party	388,126	75 days	3%
2	D-Link International	D-Link Europe	3	Accounts receivable-related party	620,789	60 days	4%
2	D-Link International	D-Link ME	3	Accounts receivable-related party	550,380	60 days	4%
2	D-Link International	D-Link Trade	3	Accounts receivable-related party	749,994	60 days	5%
2	D-Link International	D-Link Systems	3	Sales	487,759	75 days	3%
2	D-Link International	D-Link Europe	3	Sales	2,835,786	60 days	18%
2	D-Link International	D-Link Brazil	3	Sales	228,633	75 days	1%
2	D-Link International	D-Link Canada	3	Sales	333,818	60 days	2%
2	D-Link International	D-Link Trade	3	Sales	1,124,943	180 days	7%
2	D-Link International	D-Link India	3	Sales	671,294	45 days	4%
2	D-Link International	D-Link ME	3	Sales	1,466,321	60 days	9%
2	D-Link International	D-Link Australia	3	Sales	205,412	60 days	1%
2	D-Link International	D-Link Japan	3	Sales	494,865	60 days	3%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	692,110	-	5%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	871,378	-	6%
4	D-Link Shiang-Hai (Cayman) Inc.	D-Link Shiang-Hai	3	Investments accounted for using equity method-credit	(550,438)	-	(4)%
5	D-Link Europe	D-Link Deutschland	3	Investments accounted for using equity method	180,707	-	1%

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

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

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

Note 3: Nature of relationship are listed as below:

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

Note 4: The transactions 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 year ended December 31, 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 December 31, 2021			Highest percentage of ownership	Net income (losses) of investee	Share of profit/losses of investee	Note
				December 31, 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 %	1,299,802	98.44 %	(64,895)	(64,895)	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 %	279,408	100.00 %	1,365	1,365	
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 %	2,205,874	99.36 %	479,733	389,102	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 %	(565,620)	100.00 %	(56,561)	(56,561)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,983	100.00 %	1,588	1,588	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 %	14,527	100.00 %	(246)	(246)	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 %	(117,935)	100.00 %	(94,358)	(94,358)	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 %	797,809	83.33 %	29,689	29,689	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 %	149,831	99.90 %	12,153	12,153	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 %	1,684,899	100.00 %	109,748	109,748	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	- %	15,415	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit of associates accounted for using equity method was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	647,668	100.00 %	17,491	17,491	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(68,898)	100.00 %	39,892	39,892	
D-Link Corporation	Yoochia	Taiwan	Investment company	-	122,400	-	- %	-	100.00 %	2,814	2,814	Went into liquidation process at December 1, 2021
D-Link Corporation	Yeomao	Taiwan	Investment company	-	70,052	-	- %	-	100.00 %	917	917	Went into liquidation process at December 1, 2021
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	62,598	100.00 %	1,690	1,690	
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 %	1,394,856	41.58 %	390,654	193,398 (Note 1)	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.
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	-	100.00 %	(67,427)	100.00 %	40,100	40,100	
D-Link Trade	F-COM	Russia	Marketing and after sales service in Russia	12,885	-	-	40.00 %	8,709	40.00 %	(6,414)	(4,047)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	22	22	1,000	0.10 %	18	0.10 %	12,153	-	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 %	29,241	16.67 %	29,689	-	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 %	(31,516)	100.00 %	(7,132)	(7,132)	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	-	100.00 %	(193)	100.00 %	365	365	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	692,110	100.00 %	3,901	3,901	
D-Link International	D-Link Malaysia International	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,334	100.00 %	381	381	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service	3,574	3,574	1,000	100.00 %	3,880	100.00 %	634	634	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
D-Link Holding	D-Link Europe	UK	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,173,116	100.00 %	26,534	26,534	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(13,568)	0.64 %	479,733	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	DOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	-	100.00 %	4,521	100.00 %	14	14	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	888,913	100.00 %	81,537	81,537	
D-Link Holding	D-Link Shingee Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(539,232)	100.00 %	331	331	
D-Link Holding	D-Link Systems	USA	Marketing and after sales service in USA	49,320	49,320	750,000	1.56 %	41,535	1.56 %	(64,895)	-	D-Link Systems share's loss recognized in D-Link Corporation
D-Link Holding	Wishif	Singapore	Research, development, marketing and after sales service	-	68,566	-	- %	-	100.00 %	-	-	Cancellation of registration in January, 2022
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	147,272	100.00 %	819	819	
D-Link Holding	MiriCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	28.98 %	-	812	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after sales service in Brazil	-	-	100	- %	-	- %	(94,358)	-	D-Link Brazil share's loss recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after sales service in Chile	-	-	1	- %	-	- %	1,588	-	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 %	871,378	51.02 %	161,114	82,201	
D-Link Mauritius	TeamF India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	0.01 %	9,326	-	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamF India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	119,432	99.99 %	9,326	9,326	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	3	0.03 %	708	-	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 %	5,462	100.00 %	(731)	(731)	
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 %	515	99.00 %	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	8,564	99.97 %	708	708	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	- %	6	- %	(246)	-	D-Link Mexicana share's loss recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after sales service in Argentina	2,750	2,750	100	100.00 %	113	100.00 %	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process.
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	-	100.00 %	180,707	100.00 %	15,415	15,415	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	15,731	100.00 %	1,450	1,450	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	58,611	100.00 %	3,729	3,729	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	16,802	100.00 %	7,314	7,314	
D-Link Europe	D-Link Holdings(Ltd)	UK	Investment company	-	-	3	100.00 %	8,991	100.00 %	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	35,512	100.00 %	2,884	2,884	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,453	100.00 %	536	536	
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 %	22,877	100.00 %	1,729	1,729	
D-Link Europe	D-Link Magyarország	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	5,755	100.00 %	209	209	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	3,683	100.00 %	366	366	
D-Link	D-Link UK Holdings(Ltd)	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	8,991	100.00 %	-	-	
D-Link Mediterraneo SRL	D-Link ADRIA l.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	-	100.00 %	1,157	100.00 %	12	12	
D-Link ME	D-Link Network	Republic of South Africa	Marketing and after sales service in South Africa	-	-	100	100.00 %	(41)	100.00 %	(478)	-	
Yeechia and Yeotai	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	38,110	181,500	1,832,446	41.18 %	4,350	41.18 %	2,081	4,350	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Note 2: Limited Company

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest 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	539,955	2	539,955	-	-	539,955	(2,209)	100.00%	100.00%	(2,209)	(550,438)	-
Netpro Trading	Research, development and trading business	19,383	2	18,067	-	-	18,067	2,540	100.00%	100.00%	2,540	13,404	-
YouXiang	Technical Service and Import/Export trading business	61,671	3	-	-	-	-	5,539	9.86%	9.86%	-	3,882	-

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 27.6900, CNY 4.3430 as of December 31, 2021.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
558,022	558,022	None

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.	59,818,400	9.97 %
Yitongyuan Investment Co., Ltd.	32,825,600	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 equipments and wireless communication products.

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

The income tax expenses are managed on a group basis, and operating 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:

- (a) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

	<b>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	\$ 1,599,246	3,509,222	10,416,433	-	15,524,901
Inter-company	<u>23,999</u>	<u>804</u>	<u>3,980,597</u>	<u>(4,005,400)</u>	<u>-</u>
Total revenue	<u><u>\$ 1,623,245</u></u>	<u><u>3,510,026</u></u>	<u><u>14,397,030</u></u>	<u><u>(4,005,400)</u></u>	<u><u>15,524,901</u></u>
Reportable segment profit (loss)	<u><u>\$ (208,701)</u></u>	<u><u>33,700</u></u>	<u><u>1,290,085</u></u>	<u><u>(720,361)</u></u>	<u><u>394,723</u></u>
	<b>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	\$ 2,213,506	3,110,121	9,855,816	-	15,179,443
Inter-company	<u>14,097</u>	<u>6,441</u>	<u>2,823,033</u>	<u>(2,843,571)</u>	<u>-</u>
Total revenue	<u><u>\$ 2,227,603</u></u>	<u><u>3,116,562</u></u>	<u><u>12,678,849</u></u>	<u><u>(2,843,571)</u></u>	<u><u>15,179,443</u></u>
Reportable segment profit (loss)	<u><u>\$ (3,574)</u></u>	<u><u>49,660</u></u>	<u><u>2,355,555</u></u>	<u><u>(904,915)</u></u>	<u><u>1,496,726</u></u>

(Continued)

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

	American markets	European markets	Emerging markets and others	Adjustments and eliminations	Total
Reportable segment assets:					
December 31, 2021	\$ <u>3,133,150</u>	<u>2,531,872</u>	<u>21,981,280</u>	<u>(13,142,438)</u>	<u>14,503,864</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>

The material reconciling items of the above reportable segment were as below:

Total reportable segment revenues after deducting the intergroup revenues were \$4,005,400 thousand and \$2,843,571 thousand for 2021 and 2020, respectively.

(b) Products and services information

For revenue from the external customers of the Consolidated Company, please refer to 6(w).

(c) Geographic information

<u>Country</u>	2021	2020
Non-current assets		
Taiwan	\$ 828,286	884,235
India	459,859	491,031
Other countries	<u>664,301</u>	<u>822,972</u>
Total	<u>\$ 1,952,446</u>	<u>2,198,238</u>

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets, and other assets, but excluding financial instruments and deferred tax assets.

(d) Major customers

There were no individual customers representing greater than 10% of consolidated revenue for 2021 and 2020.

## **Independent Auditors' Report**

To the Board of Directors of D-LINK CORPORATION:

### **Opinion**

We have audited the financial statements of D-LINK CORPORATION, which comprise the statements of financial position as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of D-LINK CORPORATION in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

We did not audit the financial statements of D-Link International Ptd. Ltd., a subsidiary of D-Link Corporation as of and for the year ended December 31, 2021, and the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2020. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the report of other auditors. Investments accounted for using equity method of above subsidiaries reflect the total assets of \$1,429,875 thousand and \$1,383,283 thousand, constituting 13% and 12%, of the total assets at December 31, 2021 and 2020, respectively. Besides, the share of profit (loss) of associates accounted for using equity method of \$56,946 thousand and \$(108,998) thousand, constituting 24% and (8)%, of the net profit (loss) before tax for the years ended December 31, 2021 and 2020, respectively.



## Key Audit Matters

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

### 1. Evaluation of investments accounted for using equity method

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

#### Key Audit Matter Explanation:

Investments accounted for using equity method is a material asset to D-LINK CORPORATION, and is significant in its financial statements, with a book value amounting to \$7,915,822 thousand as of December 31, 2021. Therefore, it has been identified as the key matter in our audit.

#### How the matter was addressed in our audit:

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

### 2. Revenue recognition

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

#### Key Audit Matter Explanation:

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

#### How the matter was addressed in our audit:

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 29, 2022

#### **Notes to Readers**

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

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



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

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
4000 <b>Net operating revenues</b> (notes 6(s) and 7)	\$ 1,392,575	100	1,508,054	100
5000 <b>Operating costs</b> (notes 6(d) and 7)	<u>520,881</u>	<u>37</u>	<u>639,186</u>	<u>42</u>
<b>Gross profit from operations</b>	<u>871,694</u>	<u>63</u>	<u>868,868</u>	<u>58</u>
<b>Operating expenses:</b> (notes 6(c), (g), (h), (i), (k), (o) and (t))				
6100 Selling expenses	367,216	26	373,786	25
6200 Administrative expenses	249,976	18	316,865	21
6300 Research and development expenses	587,011	42	806,888	54
6450 Expected credit loss reversal gain (note 6(c))	<u>(208)</u>	<u>-</u>	<u>(647)</u>	<u>-</u>
	<u>1,203,995</u>	<u>86</u>	<u>1,496,892</u>	<u>100</u>
<b>Net operating loss</b>	<u>(332,301)</u>	<u>(23)</u>	<u>(628,024)</u>	<u>(42)</u>
<b>Non-operating income and expenses:</b>				
7100 Interest income (notes 6(u) and 7)	3,549	-	1,209	-
7010 Other income (notes 6(u) and 7)	5,119	-	9,394	1
7020 Other gains and losses (notes 6(b), (n), (u) and 7)	(15,914)	(1)	1,223,881	81
7050 Finance costs (notes 6(k), (n), (u) and 7)	(5,708)	-	(8,898)	(1)
7060 Share of profit of associates accounted for using equity method (note 6(e))	<u>583,787</u>	<u>42</u>	<u>717,221</u>	<u>48</u>
	<u>570,833</u>	<u>41</u>	<u>1,942,807</u>	<u>129</u>
<b>Profit before tax</b>	238,532	18	1,314,783	87
7950 <b>Less: Income (benefit) tax expenses</b> (note 6(p))	<u>(665)</u>	<u>-</u>	<u>74,858</u>	<u>5</u>
<b>Net profit</b>	<u>239,197</u>	<u>18</u>	<u>1,239,925</u>	<u>82</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 (Losses) gains on remeasurements of defined benefit plans (note 6(o))	(1,687)	-	4,534	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	49,816	4	18,150	1
8330 Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(9,248)	(1)	58,273	4
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>38,881</u>	<u>3</u>	<u>80,957</u>	<u>5</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b> (notes 6(q) and (v))				
8361 Exchange differences on translation of foreign financial statements	(389,612)	(28)	(403,962)	(27)
8380 Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	871	-	55,373	4
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	<u>(45,730)</u>	<u>(3)</u>	<u>(68,189)</u>	<u>(5)</u>
	<u>(343,011)</u>	<u>(25)</u>	<u>(280,400)</u>	<u>(18)</u>
8300 <b>Other comprehensive loss, net</b>	<u>(304,130)</u>	<u>(22)</u>	<u>(199,443)</u>	<u>(13)</u>
<b>Total comprehensive income</b>	<u>\$ (64,933)</u>	<u>(4)</u>	<u>1,040,482</u>	<u>69</u>
<b>Basic earnings per share</b> (New Taiwan dollars) (note 6(r))	<u>\$ 0.38</u>		<u>1.90</u>	
<b>Diluted earnings per share</b> (New Taiwan dollars) (note 6(r))	<u>\$ 0.38</u>		<u>1.90</u>	

See accompanying notes to parent company only financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total equity
<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
Net profit	-	-	-	-	1,239,925	-	-	-	1,239,925
Other comprehensive income (loss)	-	-	-	-	4,534	(283,884)	76,423	3,484	(199,443)
Total comprehensive income (loss)	-	-	-	-	1,244,459	(283,884)	76,423	3,484	1,040,482
Other changes in capital surplus:									
Changes in equity of associates accounted for using equity method through other comprehensive loss	-	(75,494)	-	-	(178,907)	-	-	-	(254,401)
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	(73)	-	-	-	-
<b>Balance at December 31, 2020</b>	6,519,961	1,523,313	2,053,379	205,562	566,471	(1,320,585)	(88,606)	73	9,259,495
Net profit	-	-	-	-	239,197	-	-	-	239,197
Other comprehensive income (loss)	-	-	-	-	(1,687)	(343,011)	40,568	-	(304,130)
Total comprehensive income (loss)	-	-	-	-	237,510	(343,011)	40,568	-	(64,933)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	56,647	-	(56,647)	-	-	-	-
Special reserve appropriated	-	-	-	207,390	(207,390)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(195,597)	-	-	-	(195,597)
Other changes in capital surplus:									
Changes in equity of associates for using equity method	-	(740)	-	-	729	-	-	-	(11)
Capital reduction	(521,596)	-	-	-	-	-	-	-	(521,596)
Disposal of investments in equity instruments designated at fair value through other comprehensive loss	-	-	-	-	(54,847)	-	54,847	-	-
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	9,248	-	(9,248)	-	-
<b>Balance at December 31, 2021</b>	\$ 5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,506)	(2,439)	-	8,477,358

See accompanying notes to parent company only financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 238,532	1,314,783
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	60,514	60,434
Amortization expense	40,760	51,481
Expected credit loss reversal gain	(208)	(647)
Net loss on financial assets or liabilities at fair value through profit or loss	30,439	8,056
Interest expense	5,708	8,898
Interest income	(3,549)	(1,209)
Share of profit of subsidiaries and associates accounted for using equity method	(583,787)	(717,221)
Gain on disposal of property, plant and equipment	(5)	(306)
Gain on disposal of investments	-	(1,250,434)
Other	(2,114)	51,984
<b>Total adjustments to reconcile loss</b>	(452,242)	(1,788,964)
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in notes receivable	(2,637)	6,156
Decrease in accounts receivable	17,690	80,644
Decrease (increase) in accounts receivable due from related parties	16,756	(45,783)
Decrease in other receivable	909	16,958
Decrease in inventories	34,603	275
(Increase) decrease in other current assets	(26,473)	626
Decrease (increase) in other non-current assets	1,722	(1,471)
<b>Total changes in operating assets</b>	42,570	57,405
Increase in contract liabilities	14,740	1,247
Decrease in notes payable	-	(245)
Increase (decrease) in accounts payable	2,558	(58,526)
Increase (decrease) in accounts payable to related parties	3,131	(69,018)
(Decrease) increase in other payable	(218,024)	28,807
Decrease in provisions	(14,626)	(11,164)
Decrease in refund liabilities	(7,742)	(15,100)
Decrease in other current liabilities	(6,252)	(34)
Decrease in other non-current liabilities	(1,108)	(995)
<b>Total changes in operating liabilities</b>	(227,323)	(125,028)
<b>Total changes in operating assets and liabilities</b>	(184,753)	(67,623)
<b>Total adjustments</b>	(636,995)	(1,856,587)
Cash outflow generated from operations	(398,463)	(541,804)
Interest received	3,549	1,209
Dividends received	203,607	40,867
Interest paid	(5,873)	(6,729)
Income taxes paid	(33,331)	(1,864)
<b>Net cash flows used in operating activities</b>	(230,511)	(508,321)
<b>Cash flows (used in) from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(180,322)
Proceeds from disposal of investments accounted for using equity method	-	2,634,803
Increase in investments accounted for using equity method	(799,999)	-
Proceeds from capital reduction of investments accounted for using equity method	267,512	-
Acquisition of property, plant and equipment	(31,601)	(62,854)
Proceeds from disposal of property, plant and equipment	5	439
Acquisition of intangible assets	(11,922)	(2,849)
Other investing activities	(309)	174
<b>Net cash flows (used in) from investing activities</b>	(576,314)	2,389,391
<b>Cash flows used in financing activities:</b>		
Decrease in other short-term loans	(98,360)	(593,006)
Repayments of bonds	-	(608)
Payment of lease liabilities	(3,582)	(3,707)
Cash dividends paid	(195,597)	-
Capital reduction payments to shareholders	(521,596)	-
<b>Net cash flows used in financing activities</b>	(819,135)	(597,321)
<b>Net (decrease) increase in cash and cash equivalents</b>	(1,625,960)	1,283,749
<b>Cash and cash equivalents at beginning of period</b>	1,777,351	493,602
<b>Cash and cash equivalents at end of period</b>	\$ 151,391	1,777,351

See accompanying notes to parent company only financial statements.

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

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

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

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

The accompanying financial statements were approved and authorized for release by the Board of Directors on March 29, 2022.

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its 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 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 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”

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

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

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

(Continued)



**D-LINK CORPORATION**  
**Notes to the Financial Statements**

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

(a) Statement of Compliance

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

(b) Basis of Preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

(ii) Foreign operations

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

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

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

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

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

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

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(e) Cash and cash equivalents

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

(f) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

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

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

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

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

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

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

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6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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2) Exchangeable bonds

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

3) Financial liabilities

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

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

4) Other financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

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(iii) Derivative financial instruments and hedge accounting

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

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

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

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

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

(g) Inventories

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

(h) Investment in associates

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

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

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

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

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

(i) Investment in subsidiaries

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

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

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(l) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 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.

(ii) As a lessor

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

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

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

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

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(m) Intangible assets

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

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

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

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

(n) Impairment – non-derivative financial assets

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

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

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

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

(o) Provisions

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

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(i) Warranties

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

(ii) Legal proceedings and royalties

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

(p) Revenue from contracts with customers

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

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

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

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

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

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

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

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(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(r) Income Taxes

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

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

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**D-LINK CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

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

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

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

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(s) Earnings per share

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

(t) Operating segments

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

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

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

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

(a) Valuation of inventories

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

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

The Company held 41.58% of issued shares of Cameo Communication, Inc., and the remaining shares were held by related parties including corporate shareholders and minority shareholders that have more than 5% of the shares. Based on the previous experience, it is unlikely the Company would obtain more than half of the directors' seats and the voting rights of the shareholders meeting. As a result, the Company has no substantial control over Cameo Communication, Inc.

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**Notes to the Financial Statements**

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

(a) Cash and Cash Equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 191	265
Checking and saving accounts	151,200	227,086
Cash equivalents	<u>-</u>	<u>1,550,000</u>
	<b><u>\$ 151,391</u></b>	<b><u>1,777,351</u></b>

Please refer to 6(w) for the currency risk in financial assets and liabilities and their sensitivity analysis.

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

(b) Financial Assets and Liabilities

(i) Details as follows

Financial assets and liabilities at fair value through profit or loss:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Mandatorily measured at fair value through profit or loss - current</b>		
Cross currency swaps	<u>\$ -</u>	<u>20,861</u>
<b>Financial liabilities at fair value through profit or loss - current</b>		
Cross currency swaps	\$ 9,803	167
Forward foreign exchange contracts	<u>-</u>	<u>57</u>
<b>Cross currency swaps</b>	<b><u>\$ 9,803</u></b>	<b><u>224</u></b>
<b>Financial assets at fair value through other comprehensive income - non-current</b>		
Cameo Communication, Inc. (CAMEO)	<u>\$ -</u>	<u>364,655</u>

- 1) On February 17, 2021, the Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Company transferred financial assets from financial assets at fair value through other comprehensive income to investments accounted for using equity method and reclassified financial assets from other equity loss \$54,847 thousand to retained earnings.
- 2) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(w).

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

3) As of December 31, 2021 and 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:

Security price at reporting date	2021		2020	
	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$ -	-	10,940	-
Decrease 3%	\$ -	-	(10,940)	-

(iii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2021 and 2020, transactions that do not qualify for hedging accounting are presented as held-for-trading financial assets were as follows:

1) Derivative financial assets

	December 31, 2021			December 31, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
JPY	\$ -	-	-	1,800,000	JPY	2021.01~2021.06
EUR	-	-	-	10,000	EUR	2021.01

2) Derivative financial liabilities

	December 31, 2021			December 31, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 1,700	USD	2022.02	1,700	USD	2021.03
EUR	10,000	EUR	2022.02	-	-	-
JPY	1,800,000	JPY	2022.01~2022.03	-	-	-
Forward foreign exchange contracts:						
EUR	-	-	-	500	EUR	2021.03

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable for operating activities	\$ 5,283	2,646
Accounts receivable (including related parties) for operating activities	225,117	259,564
Other receivables	<u>240,518</u>	<u>26,642</u>
	470,918	288,852
Less: allowance for doubtful accounts	<u>(888)</u>	<u>(1,096)</u>
	<b><u>\$ 470,030</u></b>	<b><u>287,756</u></b>

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

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

<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average rate</b>	<b>Loss allowance provision</b>
Current	\$ 285,002	0.38%	1,076
90 days or less past due	2,988	0.67%	20
181 to 270 days past due	569	-%	-
271 to 360 days past due	<u>293</u>	-%	<u>-</u>
	<b><u>\$ 288,852</u></b>		<b><u>1,096</u></b>

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

	<b>2021</b>	<b>2020</b>
Balance at January 1, 2021 and 2020	\$ 1,096	1,743
Impairment loss recognized	<u>(208)</u>	<u>(647)</u>
Balance at December 31, 2021 and 2020	<b><u>\$ 888</u></b>	<b><u>1,096</u></b>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

(d) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Finished goods	\$ <u><b>88,874</b></u>	<u><b>127,022</b></u>

The operating cost comprises of cost of goods sold, write-down loss (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). For the year ended December 31, 2021 and 2020, the cost of goods delivered were \$495,756 thousand and \$620,633 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$21,580 thousand and \$29,064 thousand for the year ended December 31, 2021 and 2020, respectively. Recognized loss of inventories to net realizable value is recorded as cost of goods sold by \$3,545 thousand for the year ended December 31, 2021, because of increased stocking due to shortage of materials and increased logistics time. Reversal gain of inventories to net realizable value is recorded as decrease of cost of goods sold by \$10,511 thousand for the year ended December 31, 2020, because of out of stock in the market and active sales of inventory.

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

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries	\$ 7,273,419	7,869,038
Associates	<u>1,394,856</u>	<u>-</u>
	8,668,275	7,869,038
Less: Credit balance of equity investment (In other non-current liabilities)	<u>(752,453)</u>	<u>(667,569)</u>
	<u><b>\$ 7,915,822</b></u>	<u><b>7,201,469</b></u>

- (i) YEOCHIA, the Company's the investment accounted for using equity method, reduced its capital by cash in 2021, and the Company received cash for \$200,000 thousand.
- (ii) D-Link Canada, the Company's investment accounted for using equity method, reduced its capital by cash in 2021, and the Company received cash for \$67,512 thousand (CAD\$3,000 thousand).
- (iii) YEOCHIA and YEOMAO, the Company's the investment accounted for using equity method, carried out liquidation procedure in December 2021.
- (iv) During 2020, the Company disposed of Alpha Networks Inc., an equity-accounted investee, and recognized disposal proceeds of \$1,250,434 thousand.

1) Subsidiaries

Please refer to the 2021 consolidated financial statements.

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**D-LINK CORPORATION**  
**Notes to the Financial Statements**

2) Associates

Name of Associate	Name of relationship with the Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held			
			December 31, 2021		December 31, 2020	
Alpha Networks, Inc. (Alpha)	The major business are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	-	%	-	%
Cameo Communication, Inc. (Cameo)	The major business activities are manufacturing and selling of network system equipment and its components, as well as researching and developing of related technologies. It is the supplier of the Company.	Taiwan	41.58	%	-	%

1) The financial information of Alpha was summarized as follows:

	<b>November 30, 2020 (Unaudited)</b>
Current assets	\$ 21,809,621
Non-current assets	6,198,278
Current liabilities	14,178,386
Non-current liabilities	<u>1,320,201</u>
Net assets	<u>\$ 12,509,312</u>
Net assets attributable to non-controlling interests	<u>\$ 2,981,613</u>
Net assets attributable to investee's shareholders	<u>\$ 9,527,699</u>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

	<b>2020.1.</b> <b>~2020.11</b> <b>(Unaudited)</b>
Operating revenue	\$ <u>28,570,311</u>
Net income	\$ 558,270
Other comprehensive loss	<u>93,124</u>
Total comprehensive income	\$ <u>651,394</u>
Total comprehensive income attributable to non-controlling interest	\$ <u>134,446</u>
Total comprehensive income attributable to investee's shareholders	\$ <u>516,948</u>

	<b>2020.1.</b> <b>~2020.11</b> <b>(Unaudited)</b>
The Company's share in associate's net assets at beginning of year	\$ 1,920,299
Comprehensive income attributable to the Company	109,284
Changes in equity of associates using equity method	(170,642)
Dividends received during the year	(36,534)
Less: exchange of exchangeable bond and sell of shares	<u>(1,823,805)</u>
The Company's share in associate's net assets at end of year	(1,398)
Add: goodwill	<u>1,398</u>
Carrying amounts of investments accounted for using equity method at ending of year	\$ <u>-</u>

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

	<b>December 31,</b> <b>2021</b>
Current assets	\$ 1,693,178
Non-current assets	3,397,654
Current liabilities	875,644
Non-current liabilities	<u>1,084,837</u>
Net assets	\$ <u>3,130,351</u>
Net assets attributable to investee's shareholders	\$ <u>3,130,351</u>

(Continued)



**D-LINK CORPORATION**  
**Notes to the Financial Statements**

	<b>For the year ended December 31, 2021</b>
Operating revenue	\$ <u>2,479,234</u>
Net Income	\$ 390,654
Other comprehensive loss	<u>(57,188)</u>
Total comprehensive loss	\$ <u>333,466</u>
Total comprehensive loss attributable to investee's shareholders	\$ <u>333,466</u>
<b>For the year ended December 31, 2021</b>	
The Company's share in associate's net assets at beginning of year	\$ -
Comprehensive income attributable to the Company	189,571
Increase of investment	<u>1,111,981</u>
The Company's share in associate's net assets at end of year	1,301,552
Less: unrealized gains	(9,185)
Add: goodwill	<u>102,489</u>
Carrying amounts of investments accounted for using equity method	\$ <u>1,394,856</u>

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cameo	\$ <u>1,567,876</u>	<u>-</u>

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

- (vi) Pledges

As of December 31, 2021 and 2020, no investment accounted for using equity methods is pledged as collateral.

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

(f) Right-of-use assets

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

	<b>Buildings</b>
Cost:	
Balance at January 1, 2021	\$ 16,065
Increase	3,214
Decrease	<u>(958)</u>
Balance at December 31, 2021	<u><b>\$ 18,321</b></u>
Balance at January 1, 2020	\$ 19,982
Decrease	<u>(3,917)</u>
Balance at December 31, 2020	<u><b>\$ 16,065</b></u>
Accumulated Depreciation:	
Balance at January 1, 2021	\$ 4,137
Increase	3,639
Decrease	<u>(958)</u>
Balance at December 31, 2021	<u><b>\$ 6,818</b></u>
Balance at January 1, 2020	\$ 751
Increase	3,901
Decrease	<u>(515)</u>
Balance at December 31, 2020	<u><b>\$ 4,137</b></u>
Carrying amount:	
Balance at December 31, 2021	<u><b>\$ 11,503</b></u>
Balance at December 31, 2020	<u><b>\$ 11,928</b></u>
Balance at January 1, 2020	<u><b>\$ 19,231</b></u>

(g) Property, plant and equipment

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

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

	2020				Balance as of December 31, 2020
	Balance as of January 1, 2020	Increase	Decrease	Transfer	
Cost:					
Land	\$ 531,453	-	-	-	531,453
Buildings	546,598	1,488	-	-	548,086
Others	<u>692,533</u>	<u>61,366</u>	<u>31,552</u>	-	<u>722,347</u>
	<u>1,770,584</u>	<u>62,854</u>	<u>31,552</u>	-	<u>1,801,886</u>
Accumulated depreciation:					
Buildings	420,324	5,248	-	-	425,572
Others	<u>604,460</u>	<u>50,888</u>	<u>31,419</u>	-	<u>623,929</u>
	<u>1,024,784</u>	<u>56,136</u>	<u>31,419</u>	-	<u>1,049,501</u>
	<u>\$ 745,800</u>	<u>6,718</u>	<u>133</u>	-	<u>752,385</u>

As of December 31, 2021 and 2020, no property, plant and equipment were pledged as collateral.

(h) Investment property

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

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

	2020				Balance as of December 31, 2020
	Balance as of January 1, 2020	Increase	Decrease	Transfer	
Cost:					
Land	\$ 30,000	-	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
Accumulated Depreciation:					
Buildings	<u>11,527</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>11,924</u>
Accumulated impairment:					
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,669</u>	<u>(397)</u>	<u>-</u>	<u>-</u>	<u>39,272</u>
				<b>December 31, 2021</b>	<b>December 31, 2020</b>
Book value				<u>\$ 38,876</u>	<u>39,272</u>
Fair value				<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(u). Besides, direct operating expenses related to investment property were \$296 thousand and \$301 thousand in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the fair value of investment property was evaluated based on the comparable deal information with similar location and category or appraisal report.

As of December 31, 2021 and 2020, no investment property was pledged as collateral.

(i) Intangible assets

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

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

	2020				Balance as of December 31, 2020
	Balance as of January 1, 2020	Increase	Decrease	Amortization	
Patents	\$ 20,411	-	-	(2,691)	17,720
Computer software costs	75,488	2,849	-	(35,224)	43,113
Other intangible assets	<u>27,033</u>	-	-	<u>(13,566)</u>	<u>13,467</u>
	<u>\$ 122,932</u>	<u>2,849</u>	<u>-</u>	<u>(51,481)</u>	<u>74,300</u>

(j) Long-term and short-term loans

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

(i) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2021	December 31, 2020
Other short-term loans	EUR	1%	2021~2022	\$ 313,645	348,368
Other short-term loans	JPY	0.5%	2021~2022	<u>433,258</u>	<u>496,895</u>
Total				<u>\$ 746,903</u>	<u>845,263</u>
Unused credit facilities				<u>\$ 4,117,132</u>	<u>3,341,162</u>

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

(ii) Long-term Loans

As of December 31, 2021 and 2020, the Company did not have long-term loans. As of December 31, 2021 and 2020, the unused credit facilities amounted to \$500,000 thousand.

(k) Lease liabilities

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

	December 31, 2021	December 31, 2020
Current	<u>\$ 4,033</u>	<u>3,017</u>
Non-current	<u>\$ 7,846</u>	<u>9,230</u>

The amounts recognized in profit or loss were as follows:

	2021	2020
Interests on lease liabilities	<u>\$ 201</u>	<u>257</u>
Expenses relating to short-term leases	<u>\$ 2,760</u>	<u>2,748</u>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ <u><b>6,543</b></u>	<u><b>6,712</b></u>

Real estate leases

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

(l) Provisions — current

	<b>2021</b>					<b>Balance as of December 31, 2021</b>
	<b>Balance as of January 1, 2021</b>	<b>Increased</b>	<b>Used</b>	<b>Reversed</b>	<b>Effect of exchange</b>	
Warranties	\$ 69,562	-	(5,378)	(1,324)	-	62,860
Legal proceedings and royalties	<u>132,650</u>	<u>52,431</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(1,138)</u>	<u>119,067</u>
	<u><b>\$ 202,212</b></u>	<u><b>52,431</b></u>	<u><b>(14,626)</b></u>	<u><b>(56,952)</b></u>	<u><b>(1,138)</b></u>	<u><b>181,927</b></u>
	<b>2020</b>					<b>Balance as of December 31, 2020</b>
	<b>Balance as of January 1, 2020</b>	<b>Increased</b>	<b>Used</b>	<b>Reversed</b>	<b>Effect of exchange</b>	
Warranties	\$ 65,783	8,649	(4,870)	-	-	69,562
Legal proceedings and royalties	<u>85,079</u>	<u>56,455</u>	<u>(6,294)</u>	<u>-</u>	<u>(2,590)</u>	<u>132,650</u>
	<u><b>\$ 150,862</b></u>	<u><b>65,104</b></u>	<u><b>(11,164)</b></u>	<u><b>-</b></u>	<u><b>(2,590)</b></u>	<u><b>202,212</b></u>

(m) Refund liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Refund liabilities	\$ <u><b>24,840</b></u>	<u><b>32,582</b></u>

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

(Continued)

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(n) Bonds payable

Exchangeable corporate bonds

	<b>December 31, 2020</b>
Exchangeable bonds	\$ 1,200,000
Accumulated exchanged bonds	(1,199,400)
Due payment	<u>(600)</u>
	<u>\$ -</u>
	<b>2020</b>
Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ 34,967</u>
Interest expense	<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 have been paid.

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

(i) Total issuance amount:

Total principal amount of the bonds is \$1.2 billion dollars. The par value of the bonds is one hundred thousand dollars, and they are issued at 100% of the par value. The total number of exchangeable bonds issued were 12 thousand units. As of December 31, 2021, 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.

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(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.

(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 movement, request the Company to add the interest declutched by the denomination of the bond, and redeem the exchange bonds held by it in cash. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date. The maturity of request that the Company redeem the bonds have been already reached. There are no Bondholder to exercise the put option till the redemption date of June 17, 2017.

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(o) Employee benefits

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of benefit obligations	\$ 86,814	91,577
Fair value of plan assets	<u>(75,551)</u>	<u>(80,892)</u>
Deficit in the plan	<b><u>\$ 11,263</u></b>	<b><u>10,685</u></b>

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

1) Composition of plan

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$75,551 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

- 2) Movements in the present value of the defined benefit obligations in 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Defined benefit obligation at January 1	\$ 91,577	104,051
Current service costs and interests	1,197	2,186
Remeasurement of the defined benefit liabilities		
— Actuarial gains from changes in demographic assumption	118	-
— Actuarial (gains) losses from changes in the financial assumptions	(5,109)	9,130
— Actuarial losses (gains) from changes in experience adjustments	7,971	(10,722)
Benefits paid by the plan	<u>(8,940)</u>	<u>(13,068)</u>
Defined benefit obligation at December 31	<b><u>\$ 86,814</u></b>	<b><u>91,577</u></b>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2021 and 2020 for the Company were as follows:

	<b>2021</b>	<b>2020</b>
Fair value of plan assets at January 1	\$ 80,892	87,839
Interest income	324	995
Remeasurement of the defined benefit assets		
— Actuarial return on plan assets (excluding interests)	1,293	2,942
Contributions made	1,982	2,184
Benefits paid by the plan	<u>(8,940)</u>	<u>(13,068)</u>
Fair value of plan assets at December 31	<u><b>\$ 75,551</b></u>	<u><b>80,892</b></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2021 and 2020 for the Company were as follow:

	<b>2021</b>	<b>2020</b>
Current service costs	\$ 831	1,019
Net interest on the net defined benefit obligation	<u>42</u>	<u>172</u>
	<u><b>\$ 873</b></u>	<u><b>1,191</b></u>

	<b>2021</b>	<b>2020</b>
Operating costs	\$ 14	23
Selling expenses	485	615
Administrative expenses	164	219
Research and development expenses	<u>210</u>	<u>334</u>
	<u><b>\$ 873</b></u>	<u><b>1,191</b></u>

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

The Company's remeasurement of the net define benefit liabilities recognized in other comprehensive income as of December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 47,330	51,864
Recognized	<u>1,687</u>	<u>(4,534)</u>
Balance on December 31	<u><b>\$ 49,017</b></u>	<u><b>47,330</b></u>

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**D-LINK CORPORATION**  
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6) Actuarial assumptions

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

	<b>2021.12.31</b>	<b>2020.12.31</b>
Discount rate	0.800 %	0.400 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of \$1,665 thousand to the plan for the next annual reporting period.

The weighted average duration of defined benefit obligation is 14.00 years and 15.00 years in 2021 and 2020, respectively.

7) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2021 and 2020 was as follows:

	<b>Effective of defined benefit liabilities</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (0.25% change)	\$ (2,955)	3,080
Future salary increase (0.25% change)	2,788	(2,696)
December 31, 2020		
Discount rate (0.25% change)	(3,301)	3,449
Future salary increase (0.25% change)	3,124	(3,014)

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

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

(ii) Defined contribution plans

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

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The amount of the Company's pension expenses under defined contribution pension plan in 2021 and 2020 were as follows and the amounts were contributed to the labor pension personal accounts of Bureau of the Labor Insurance:

	<b>2021</b>	<b>2020</b>
Operating costs	\$ 138	145
Operating expenses	<u>34,177</u>	<u>36,261</u>
	<b><u>\$ 34,315</u></b>	<b><u>36,406</u></b>

(p) Income Taxes

Income tax (benefits) expenses for the years ended 2021 and 2020 were summarized as follows:

	<b>2021</b>	<b>2020</b>
Current income tax (benefit) expense	\$ (3,150)	43,459
Deferred tax expense	<u>2,485</u>	<u>31,399</u>
Income tax (benefits) expenses	<b><u>\$ (665)</u></b>	<b><u>74,858</u></b>

The amount of income tax benefit recognized in other comprehensive income was as follows:

	<b>2021</b>	<b>2020</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b><u>\$ (45,730)</u></b>	<b><u>(68,189)</u></b>

Reconciliation of income tax (benefit) expense and profit before tax was as follows:

	<b>2021</b>	<b>2020</b>
Profit before income tax	<b><u>\$ 238,532</u></b>	<b><u>1,314,783</u></b>
Income tax using the Company's domestic tax rate	\$ 47,706	262,957
Share of profit of associates accounted for using equity method	(22,223)	(3,689)
Investment income from domestic company	(39,764)	(24,860)
Gains on disposals of domestic investments accounted for using equity method	-	(249,907)
Basic income tax	-	42,715
Unrecognized changes of temporary differences	(30,713)	14,641
Income tax adjustments on prior years and others	<u>44,329</u>	<u>33,001</u>
Income tax (benefits) expenses	<b><u>\$ (665)</u></b>	<b><u>74,858</u></b>

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Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Deductible temporary differences		
Unrealized expenses	\$ 24,132	26,622
Provisions for warranty	12,572	13,913
Unrealized impairment	24,318	24,318
Others	<u>47,167</u>	<u>39,784</u>
	<u>108,189</u>	<u>104,637</u>
Operating loss carry forward	<u>215,264</u>	<u>249,529</u>
	<b><u>\$ 323,453</u></b>	<b><u>354,166</u></b>

(ii) Recognized deferred tax assets and liabilities

		Exchange differences on translation of foreign financial statements	Loss carry forward	Others	Total	
Deferred income tax assets:						
Balance at January 1, 2021	\$	61,681	277,881	242,431	5,697	587,690
Recognized in profit or loss		(22,253)	-	95,265	(5,697)	67,315
Exchange differences on translation of foreign financial statements		<u>-</u>	<u>45,730</u>	<u>-</u>	<u>-</u>	<u>45,730</u>
Balance at December 31, 2021	<b>\$</b>	<b><u>39,428</u></b>	<b><u>323,611</u></b>	<b><u>337,696</u></b>	<b><u>-</u></b>	<b><u>700,735</u></b>
Balance at January 1, 2020	\$	77,155	209,692	143,177	5,414	435,438
Recognized in profit or loss		(15,474)	-	99,254	283	84,063
Exchange differences on translation of foreign financial statements		<u>-</u>	<u>68,189</u>	<u>-</u>	<u>-</u>	<u>68,189</u>
Balance at December 31, 2020	<b>\$</b>	<b><u>61,681</u></b>	<b><u>277,881</u></b>	<b><u>242,431</u></b>	<b><u>5,697</u></b>	<b><u>587,690</u></b>

		Investments under equity method	Others	Total
Deferred income tax liabilities:				
Balance at January 1, 2021	\$	242,431	25,465	267,896
Recognized in profit or loss		<u>54,147</u>	<u>15,653</u>	<u>69,800</u>
Balance at December 31, 2021	<b>\$</b>	<b><u>296,578</u></b>	<b><u>41,118</u></b>	<b><u>337,696</u></b>

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	<b>Investments under equity method</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2020	\$ 143,177	9,257	152,434
Recognized in profit or loss	<u>99,254</u>	<u>16,208</u>	<u>115,462</u>
Balance at December 31, 2020	<u><u>\$ 242,431</u></u>	<u><u>25,465</u></u>	<u><u>267,896</u></u>

In accordance with the ROC Tax laws, the operating loss carry forward assessed by the tax authorities are deductible from taxable income for a ten-year period. As of December 31, 2021, the Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Years of loss	Unused amount	Year of expiry
2017	\$ 1,740,912	2027
2019	162,350	2029
2020	654,895	2030
2021	<u>206,641</u>	2031
	<u><u>\$ 2,764,798</u></u>	

The Company's income tax return had been examined by the tax authorities through 2019.

- (q) Share capital and other equity
  - (i) Common stock

As of December 31, 2021 and 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 December 31, 2021 and 2020, the issued capital amounted to \$5,998,365 thousand and \$6,519,961 thousand, respectively. The par value of the Company's common stock is \$10 New Taiwan dollars per share. As of December 31, 2021 and 2020, the number of share is 599,837 thousand and 651,996 thousand shares respectively.

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

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**Notes to the Financial Statements**

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Common stock in excess of par value	\$ 1,217,030	1,217,030
Treasury stock	39,310	39,310
Changes in equities of associates accounted for using equity method	-	740
Failure of employee share options	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<u><b>\$ 1,522,573</b></u>	<u><b>1,523,313</b></u>

According to the ROC Company Act, the capital surplus may be used to offset a deficit, or distribute as cash dividends or stock dividends by the original ownership percentage if there is no accumulated deficit. Capital surplus included the income was derived from the issuance of new shares at a premium and income from the endowments received by the company. According to the current Securities and Futures Bureau regulations, capitalization of capital surplus cannot exceed a rate of ten percent.

(iii) Retained earnings

1) Legal reserve

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

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

2) Special reserve

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

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3) Earning distribution

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

The Company's appropriation of earnings for 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 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 in 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 business development. After deducting the balance from the items mentioned above, the Board of Directors shall adopt a proposal for the residual balance and the previous year's earnings to be submitted for approval during the shareholders' meeting. The total amount of dividends to be distributed to the shareholders shall be no less than 30% of the distributable earnings for the current year. According to the budget plan for its capital, the Company shall distribute stock dividends to retain the required funds; and any remainder, which should not be less than 10% of the total dividends, can be distributed by cash.

(iv) Other equity

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

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2020	\$ (1,236,701)	(165,102)	(3,484)
The Company	(335,773)	18,150	-
Associates	51,889	58,273	3,484
Subsidiaries-disposal	<u>-</u>	<u>73</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ (1,520,585)</u>	<u>(88,606)</u>	<u>-</u>

(r) Earnings per share

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

(i) Basic earnings per share

	2021	2020
Profit of the Company for the year	\$ <u>239,197</u>	<u>1,239,925</u>
Ordinary shares outstanding	<u>634,610</u>	<u>651,996</u>
Basic earnings per share (dollar)	<u>\$ 0.38</u>	<u>1.90</u>

(ii) Diluted earnings per share

	2021	2020
Profit attributable to owners of ordinary shares (diluted)	\$ <u>239,197</u>	<u>1,239,925</u>
Weighted-average number of ordinary shares outstanding (basic)	\$ 634,610	651,996
Employees' bonuses have not yet been resolved by the Board meeting	<u>1,071</u>	<u>1,496</u>
Weighted average number of ordinary shares (diluted)	<u>635,681</u>	<u>653,492</u>
Diluted earnings per share	<u>\$ 0.38</u>	<u>1.90</u>

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

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(s) Revenue from contracts with customers

(i) The Company revenue from contracts with customers

<b>Major product / service lines</b>	<b>2021</b>	<b>2020</b>
Network communication products	\$ 786,679	980,422
Services	<u>605,896</u>	<u>527,632</u>
	<b><u>\$ 1,392,575</u></b>	<b><u>1,508,054</u></b>
<b>Primary geographical markets</b>		
	<b>2021</b>	<b>2020</b>
Asia	\$ 1,312,614	1,404,056
Others	<u>79,961</u>	<u>103,998</u>
	<b><u>\$ 1,392,575</u></b>	<b><u>1,508,054</u></b>

(ii) Contract liabilities

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Contract Liabilities — current (sales)	<b><u>\$ 23,819</u></b>	<b><u>9,079</u></b>

2) The Company recognized \$6,692 thousand and \$6,536 thousand in sales from the beginning balance of contract liabilities for the year ended December 31, 2021 and 2020, respectively.

(t) Remuneration to employees and directors

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

In 2021 and 2020, the Company estimated its employees' remuneration amounting to \$12,621 thousand, and \$42,936 thousand, respectively, and directors' and supervisors' remuneration amounting to \$1,262 thousand and \$0 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles of Association. These remunerations were expensed under operating expenses during 2021 and 2020.

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

(u) Other income and losses

(i) Interest income

	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 3,508	1,209
Interest income from others	<u>41</u>	<u>-</u>
Total	<u><b>\$ 3,549</b></u>	<u><b>1,209</b></u>

(i) Other income

	<b>2021</b>	<b>2020</b>
Rental income	\$ 2,398	1,380
Others	<u>2,721</u>	<u>8,014</u>
Total	<u><b>\$ 5,119</b></u>	<u><b>9,394</b></u>

(ii) Other gains and losses

	<b>2021</b>	<b>2020</b>
Gain on disposal of property, plant and equipment	\$ 5	306
Gain on disposals of investments	-	1,250,434
Foreign currency exchange gains (loss)	14,520	(20,881)
Valuation losses from financial assets and liabilities	(30,439)	(8,056)
Others	<u>-</u>	<u>2,078</u>
Total	<u><b>\$ (15,914)</b></u>	<u><b>1,223,881</b></u>

(iii) Financial costs

	<b>2021</b>	<b>2020</b>
Interest expense	\$ (5,507)	(6,534)
Other financial costs		
Interest expense of bond discounts	-	(2,107)
Lease liability interests	<u>(201)</u>	<u>(257)</u>
Total	<u><b>(201)</b></u>	<u><b>(2,364)</b></u>
Net financial costs	<u><b>\$ (5,708)</b></u>	<u><b>(8,898)</b></u>

(Continued)

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(v) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2021 and 2020 were summarized as follow:

	<b>2021</b>	<b>2020</b>
Exchange differences on translation of foreign financial statements		
Change in foreign currency exchange from the Company	\$ <u>(389,612)</u>	<u>(403,962)</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<b>\$ <u>(389,612)</u></b>	<b><u>(403,962)</u></b>
Share of other comprehensive income of subsidiaries and associates accounted for using equity method		
Change in foreign currency exchange from subsidiaries and associates	\$ 871	41,254
Reclassification to profit or loss	-	10,913
Change in other equity interest from associates	<u>-</u>	<u>3,206</u>
Share of other comprehensive income	<b>\$ <u>871</u></b>	<b><u>55,373</u></b>

(w) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	\$ 151,391	1,777,351
Financial assets at fair value through profit or loss — current	-	20,861
Financial assets at fair value through other comprehensive income — non-current	-	364,655
Notes receivable, accounts receivable and other accounts receivable (including related parties)	470,030	287,756
Refundable deposits	<u>4,542</u>	<u>4,637</u>
	<b>\$ <u>625,963</u></b>	<b><u>2,455,260</u></b>

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**D-LINK CORPORATION**  
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2) Financial liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Short-term loans	\$ 746,903	845,263
Financial liabilities at fair value through profit or loss — current	9,803	224
Notes payable, accounts payable and other payables (including related parties)	327,386	539,886
Guarantee deposits received	3,074	3,074
Lease liability (current and non-current)	<u>11,879</u>	<u>12,247</u>
	<b><u>\$ 1,099,045</u></b>	<b><u>1,400,694</u></b>

(ii) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2021 and 2020, the maximum amount exposed to credit risk amounted to \$625,963 thousand, and \$2,455,260 thousand, respectively.

(iii) Liquidity risk

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

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

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**D-LINK CORPORATION**  
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	Carrying amount	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							
Short-term loans	\$ 845,263	851,231	2,984	848,247	-	-	-
Notes payable	11	11	11	-	-	-	-
Accounts payable	128,467	128,467	128,467	-	-	-	-
Accounts payable to related parties	6,151	6,151	6,151	-	-	-	-
Other payables	405,257	405,257	405,257	-	-	-	-
Lease liability	12,247	12,665	1,619	1,578	3,156	6,312	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Cross currency swaps	167	167	167	-	-	-	-
Forward foreign exchange contracts	57	57	57	-	-	-	-
	<u>\$ 1,400,694</u>	<u>1,407,080</u>	<u>547,787</u>	<u>849,825</u>	<u>3,156</u>	<u>6,312</u>	<u>-</u>

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

(iv) Currency risk

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

	2021			2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets :						
Monetary items:						
USD	\$ 5,562	27.69	<u>\$ 154,001</u>	4,816	28.51	<u>137,293</u>
Derivative financial instruments:						
EUR	\$ -	-	-	345	34.84	12,011
JPY	-	-	-	32,059	0.28	8,850
			<u>\$ -</u>			<u>20,861</u>
Investment accounted for using equity method:						
USD	\$ 239,242	27.69	6,624,612	230,888	28.51	6,582,179
CAD	12,851	21.74	279,408	15,790	22.40	353,669
AUD	7,460	20.08	149,831	6,883	21.96	151,160
MXN	10,799	1.35	14,527	10,977	1.43	15,697
JPY	2,568,276	0.24	618,180	2,499,858	0.28	690,093
CLP	294,227	0.03	9,582	227,193	0.04	9,106
			<u>\$ 7,696,140</u>			<u>7,801,904</u>

(Continued)

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	2021			2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities:						
Monetary items:						
USD	\$ 4,363	27.69	120,803	4,924	28.51	140,377
EUR	10,051	31.36	313,254	10,045	34.84	349,937
JPY	1,802,553	0.24	<u>433,872</u>	1,802,417	0.28	<u>497,563</u>
			<u>\$ 867,929</u>			<u>987,877</u>
Derivative financial instruments:						
USD	\$ 10	27.69	270	9	28.51	224
JPY	29,626	0.24	<u>7,131</u>	-	-	-
EUR	77	31.36	<u>2,402</u>	-	-	-
			<u>\$ 9,803</u>			<u>224</u>
Credit balance of equity investment:						
USD	\$ 22,915	27.69	634,518	22,428	28.51	636,656
BRL	23,777	4.96	<u>117,935</u>	5,635	5.49	<u>30,913</u>
			<u>\$ 752,453</u>			<u>667,569</u>

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

Because the Company has various functional currencies, information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities is aggregately disclosed. The total foreign exchange gains and losses, including realized and unrealized, were gains \$14,520 thousand and losses \$20,881 thousand for the years ended December 31, 2021 and 2020, respectively.

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, other receivables, loans, account payables, and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency as of December 31, 2021 and 2020 would have increased or decreased the net income after tax by \$74,639 thousand and \$75,653 thousand, respectively, assuming all other variables were held constantly.

(v) Interest rate analysis

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

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

(vi) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

					<b>December 31, 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>Derivative assets and liabilities</b>								
<b>Liabilities:</b>								
Financial liabilities at fair value through profit or loss — current	\$ 9,803	-	9,803	-				
					<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 other comprehensive income	\$ 364,655	364,655	-	-				
<b>Derivative assets and liabilities</b>								
<b>Assets:</b>								
Financial assets at fair value through profit or loss — current	20,861	-	20,861	-				
<b>Liabilities:</b>								
Financial liabilities at fair value through profit or loss — current	224	-	224	-				

2) Valuation techniques

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

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- 3) Transfer from Level 1 to Level 2

As of December 31, 2021 and 2020, there were no transfers between level 1 and level 2 of the fair value hierarchy.

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

- 1) Information of fair value

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

	December 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Non-financial assets:				
Investment property	\$ <u>38,876</u>	<u>51,328</u>	<u>39,272</u>	<u>51,328</u>

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328

- 2) Valuation techniques

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

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

- (x) Financial risk management

- (i) Overview

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

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

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

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Company arises from the operations and financial conditions of each customer and the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Company operates worldwide, and thus, risk is diversified. As of December 31, 2021 and 2020, revenue from each foreign customer does not exceed 5% of the Company's revenue and therefore, there is no concentration of credit risk.

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

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

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

2) Investment on securities and derivative financial instruments

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

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2021 and 2020, the Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. the Company's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. the Company aims to maintain the level of its cash and short term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. the Company has unused short term bank facilities for \$4,617,132 thousand as of December 31, 2021.

(v) Market risk

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

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

1) Currency risk

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

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

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

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

2) Interest rate risk

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

(y) Capital management

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

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Debt-to-equity ratio:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 2,486,326	2,689,617
Less: cash and cash equivalents	<u>(151,391)</u>	<u>(1,777,351)</u>
Net debt	<u>\$ 2,334,935</u>	<u>912,266</u>
Total equity	<u>\$ 8,477,358</u>	<u>9,259,495</u>
Debt-to-equity ratio	<u>27.54%</u>	<u>9.85%</u>

As of December 31, 2021, the methods of the Company's capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 2021 and 2020 were as follows:

- (i) Requirement of right-to-use assets through lease agreement, please refer to note 6(k).
- (ii) Exchangeable corporate bonds, please refer to note 6(n).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	Non-cash changes					
	January 1, 2021	Cash flows	Exchange	Foreign exchange movement	Fair value changes	
Short-term loan	\$ 845,263	(98,360)	-	-	-	746,903
Lease liabilities	12,247	(3,582)	-	-	3,214	11,879
Guarantee deposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 860,584</u>	<u>(101,942)</u>	<u>-</u>	<u>-</u>	<u>3,214</u>	<u>761,856</u>

	Non-cash changes					
	January 1, 2020	Cash flows	Exchange	Foreign exchange movement	Fair value changes	
Short-term loan	\$ 1,438,269	(593,006)	-	-	-	845,263
	19,376	(3,707)	-	-	(3,422)	12,247
Bonds payable	301,003	(608)	(302,502)	2,107	-	-
Guarantee deposits received	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Total liabilities from financing activities	<u>\$ 1,761,722</u>	<u>(597,321)</u>	<u>(302,502)</u>	<u>2,107</u>	<u>(3,422)</u>	<u>860,584</u>

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**(7) Related-party transactions:**

- (a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
D-Link Holding Company Ltd. (D-Link Holding)	A subsidiary
D-Link Canada Inc. (D-Link Canada)	A subsidiary
D-Link Japan K.K. (D-Link Japan)	A subsidiary
D-Link Investment Pte.Ltd. (D-Link Investment)	A subsidiary
D-Link Sudamerica S.A. (D-Link Sudamerica)	A subsidiary
D-Link Brazil LTDA (D-Link Brazil)	A subsidiary
D-Link Latin America Company Ltd.(D-Link L.A.)	A subsidiary
D-Link Mexicana S.A de C.V (D-Link Mexicana)	A subsidiary
D-Link Systems, Inc. (D-Link Systems)	A subsidiary
D-Link International Pte. Ltd. (D-Link International)	A subsidiary
D-Link Australia Pty Ltd. (D-Link Australia)	A subsidiary
D-Link Middle East FZCO (D-Link ME)	A subsidiary
D-Link Korea Limited (D-Link Korea)	A subsidiary
D-Link Trade M (D-Link Moldova)	A subsidiary
D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	A subsidiary
D-Link Malaysia SDN. BHD (D-Link Malaysia)	A subsidiary
D-Link Service Lithuania, UAB (D-Link Lithuania)	A subsidiary
Yeochia Investment Co., Ltd.	A subsidiary (Carried out liquidation procedure on December 1, 2021)
Yeomao Investment Co., Ltd.	A subsidiary (Carried out liquidation procedure on December 1, 2021)
Yeotai Investment Co., Ltd.	A subsidiary
D-Link (Europe) Ltd. (D-Link Europe)	A subsidiary
D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	A subsidiary
D-Link Holding Mauritius Inc. (D-Link Mauritius)	A subsidiary
OOO D-Link Russia (D-Link Russia)	A subsidiary
OOO D-Link Trade (D-Link Trade)	A subsidiary
Success Stone Overseas Corp. (Success Stone)	A subsidiary

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<u>Name of related party</u>	<u>Relationship with the Company</u>
Wishfi Pte. Ltd. (Wishfi)	A subsidiary (Cancellation of registration in January, 2022)
D-Link India Ltd. (D-Link India)	A subsidiary
TeamF1 Networks Private Limited (TeamF1 India)	A subsidiary
D-Link (Holdings) Ltd. and the subsidiary D-Link (UK) Ltd. (D-Link UK)	A subsidiary
D-Link France SARL (D-Link France)	A subsidiary
D-Link AB	A subsidiary
D-Link Iberia SL (D-Link Iberia)	A subsidiary
D-Link Mediterraneo SRL (D-Link Mediterraneo)	A subsidiary
D-Link (Netherlands) BV (D-Link Netherlands)	A subsidiary
D-Link (Deutschland) GmbH (D-Link Deutschland)	A subsidiary
D-Link Polska Sp. Z.o.o. (D-Link Polska)	A subsidiary
D-Link (Magyarország) kft (D-Link Magyarország)	A subsidiary
D-Link s.r.o	A subsidiary
D-Link Adria d.o.o	A subsidiary
D Link Network	A subsidiary
D-Link (Shiang-Hai) Co., Ltd.	A subsidiary
Netpro Trading (Shiang-Hai) Co., Ltd.	A subsidiary
D-Link del Ecuador S.A.	A subsidiary
D-Link Peru S.A.	A subsidiary
D-Link de Colombia S.A.S	A subsidiary
D-Link Guatemala S.A.	A subsidiary
D-Link Argentina S.A.	A subsidiary
Alpha Networks, Inc.	An associate (Since all the equity shares had 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 Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)

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**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Dongguam Mingrui	An associate (Since all the equity shares in Alpha Networks, Inc. had 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.)
Amigo Technology Inc.	Other related parties
Amit Wireless Inc.	Other related parties
T-COM, LLC (T-COM)	An associate

(b) Significant related party transactions

(i) Sales revenue

	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 146,077	204,141
Associates-Cameo	191	-
Other related parties-Cameo	<u>-</u>	<u>58</u>
	<u><b>\$ 146,268</b></u>	<u><b>204,199</b></u>

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

(ii) Service revenue

	<b>2021</b>	<b>2020</b>
Subsidiaries:		
D-Link International	\$ 527,142	455,963
Others	42,262	31,274
Associates	-	328
Others related parties — Cameo	<u>-</u>	<u>5</u>
	<u><b>\$ 569,404</b></u>	<u><b>487,570</b></u>

(Continued)



**D-LINK CORPORATION**  
**Notes to the Financial Statements**

(iii) Purchases

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

	<b>2021</b>	<b>2020</b>
Subsidiaries:	\$ 2,045	1,351
Associate:		
Alpha	-	93,578
Cameo	14,796	-
Other related-parties:		
Cameo	-	31,432
Amigo	<u>10,124</u>	<u>-</u>
	<u><b>\$ 26,965</b></u>	<u><b>126,361</b></u>

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

(iv) Accounts receivable due from related parties

<b>Account</b>	<b>Related party categories</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	Subsidiaries—D-Link International	\$ 52,526	52,762
Accounts receivable	Subsidiaries—Others	28,243	44,849
Accounts receivable	Associates—Cameo	86	-
Other receivables	Subsidiaries—D-Link International	7,793	-
Other receivables	Subsidiaries—Others	4,906	3,199
Other receivables	Associates—Yeochia	71,169	-
Other receivables	Associates—Yeomao	143,616	-
Other receivables	Other related parties—Amit	5,573	-
Other receivables	Other related parties—Cameo	<u>-</u>	<u>29</u>
		<u><b>\$ 313,912</b></u>	<u><b>100,839</b></u>

The Company's other receivables to associates — Yeochia and Yeomao were arising from the Company's liquidation equity.

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

(v) Other income and losses

Account	Related party categories	2021	2020
Other gains and losses	Associates – Alpha	\$ -	2,078
Interest income	Other related parties – Amigo	41	-
Rent income	Subsidiaries – Other	68	69
Rent income	Other related parties – Amigo	<u>1,300</u>	<u>-</u>
		<u>\$ 1,409</u>	<u>2,147</u>

Other income and losses were composed of directors' remuneration from associates, interest and rental of subsidiaries and other related parties.

(vi) Accounts payable to related parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2021	December 31, 2020
Accounts payable	Subsidiaries – D-Link International	\$ 207	224
Accounts payable	Associates – Cameo	3,635	-
Accounts payable	Other related parties – Amigo	5,440	-
Accounts payable	Other related parties – Cameo	-	5,927
Other payables	Subsidiaries – Others	6,656	744
Other payables	Associates – Cameo	4,762	-
Other payables	Other related parties – Cameo	-	18,345
Other payables	Other related parties – Amit	<u>659</u>	<u>-</u>
		<u>\$ 21,359</u>	<u>25,240</u>

The Company's accounts payable to associates were payables on equipment and others.

(vii) Services purchased from related parties

The services purchased from related parties were as follows:

	2021	2020
Associates – Alpha	\$ -	23,196
Associates – Cameo	12,085	-
Other related parties – Cameo	-	29,603
Other related-parties – Amigo	<u>3,436</u>	<u>-</u>
	<u>\$ 15,521</u>	<u>52,799</u>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

(viii) Property transaction

1) Property, plant and equipment, intangible assets acquired

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

	<b>2021</b>	<b>2020</b>
Associates:		
Alpha	\$ -	5,464
Cameo	3,436	-
Other related parties:		
Alpha	-	10,348
Amigo	5,814	-
	<b>\$ 9,250</b>	<b>15,812</b>

(ix) Equity Transfer

On equity transfer with its related-parties, the Company recognized the deferred unrealized profit each amounting to \$0 and \$36,246 thousand as of December 31, 2021 and 2020. The details of the equity transfer with related-parties were as follows:

- 1) The Company sold the equity of D-Link Deutschland to D-Link Europe for \$17,637 thousand in 1997 and another additional amount of \$1,050 thousand in 1998, both with the disposal amount totaling \$18,687 thousand. Furthermore, the Company sold the equity of D-Link AB to D-Link Europe for \$5,574 thousand in June 1998. According to above transactions, the Company recognized the deferred unrealized profit in investments accounted for using equity method each amounting to \$52,913 thousand as of December 31, 2021 and 2020.
- 2) For integrated overseas investment structure, the Company transferred the equity of D-Link Europe, a subsidiary directly owned by the Company, to D-Link Holding for \$1 dollar in October 2002, resulting in the Company to recognize the deferred unrealized loss in investments accounted for using equity method each amounting to \$16,667 thousand as of December 31, 2021 and 2020.

(x) Borrowing from Related Parties

The borrowing from related parties were as follows:

	<b>2021</b>	<b>2020</b>
Subsidiaries – D-Link Japan	\$ 433,258	496,895
Subsidiaries – D-Link Europe	313,645	348,368
	<b>\$ 746,903</b>	<b>845,263</b>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

The interest paid to the related parties amounted to \$5,437 thousand and \$5,898 thousand for the year 2021 and 2020, respectively. The amounts were calculated based on the average interest rate imposed on related parties' borrowings by external financial institutions. The interest-bearing borrowings provided by related parties were unsecured. In addition, the Company borrows short-term loan from D-Link International, with amounts ranging between \$0 thousand and \$568,140 thousand for the year 2021, and had been fully paid by the end of the year.

(xi) Guarantee

As of December 31, 2021 and 2020, the Company had provided a guarantee to its related-parties which borrowed from financial institutions with the credit limit as follow:

	<b>2021</b>	<b>2020</b>
Subsidiaries:		
D-Link Europe	\$ 116,864	129,801
D-Link Shai-Hai	69,225	71,270
D-Link Trade	<u>13,845</u>	<u>14,254</u>
	<b><u>\$ 199,934</u></b>	<b><u>215,325</u></b>

As of December 31, 2021 and 2020, the Company had used its endorsement guarantees amounting to \$59,987 thousand and \$66,864 thousand respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 85,582	40,666
Post-employee benefits	<u>5,959</u>	<u>1,228</u>
	<b><u>\$ 91,541</u></b>	<b><u>41,894</u></b>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

		<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Pledged assets</b>	<b>Pledged to secure</b>		
Other current assets	Performance guarantee (restricted assets)	<u>\$ -</u>	<u>222</u>

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

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

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

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

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

**(12) Other:**

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

By item	By function	For the year ended December 31					
		2021			2020		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		2,822	707,457	710,279	3,501	794,930	798,431
Labor and health insurance		301	62,931	63,232	290	62,381	62,671
Pension		152	35,036	35,188	168	37,429	37,597
Remuneration of directors		-	5,524	5,524	-	3,777	3,777
Others		146	21,375	21,521	149	23,225	23,374
Depreciation		1	60,513	60,514	-	60,434	60,434
Amortization		-	40,760	40,760	-	51,481	51,481

the Company for the years ended December 31, 2021 and 2020 additional information for the number of employees and employee benefits are as follows :

	<u>2021</u>	<u>2020</u>
Number of employees	<u>674</u>	<u>738</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,243</u>	<u>\$ 1,260</u>
The average salaries and wages	<u>\$ 1,063</u>	<u>\$ 1,091</u>
The adjustment rate of average employee salaries	<u>(2.57)%</u>	<u>3.31 %</u>
Supervisor's remuneration	<u>\$ -</u>	<u>\$ -</u>

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

**Directors:** The remuneration of the Company's directors is determined by reference to the general level of agreement in the industry and shall be assessed regularly to see whether the remuneration is in accordance with the Company's articles of incorporation and the industry standard managerial salary range. The above conditions are reviewed by the Compensation Committee and approved by the board of directors.

**Managers:** For the remuneration of the new managers and managers whose annual salary have changed in the new year, human resources department determined the remuneration according to the standard managerial salary of the industry. The payment shall be reviewed by Compensation Committee and approved by the board of directors.

**Employee:** The remuneration of the employees is determined by reference to the annual external salary survey, standard employee salary of the industry, annual salary adjustments, annual bonus, the Company's promotion system, and dividend principle. In addition, the above conditions, the Company's overall operating performance, and the individual's performance achievement rate and contribution to the Company are all taken into consideration to implement the reward system.

(Continued)

## D-LINK CORPORATION

### Notes to the Financial Statements

#### (13) Other disclosures:

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

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2021:

##### (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 fund limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link (shanghai)	Other accounts receivable - related parties	Yes	43,431	43,431	16,069	4.00	2	-	Operating Capital	-	-	-	2,729,266	2,729,266
1	D-Link International	D-Link Brazil	Other accounts receivable - related parties	Yes	55,380	55,380	-	-	2	-	Operating Capital	-	-	-	2,729,266	2,729,266
1	D-Link International	D-Link (shanghai)	Other accounts receivable - related parties	Yes	532,089	532,089	532,089	-	2	-	Convert from Account receivable to loan receivable	-	-	-	2,729,266	2,729,266
2	D-Link Russia Investment	D-Link International	Other accounts receivable - related parties	Yes	681,174	681,174	678,405	-	2	-	Operating Capital	-	-	-	692,110	692,110
3	D-Link Japan K.K.	D-Link Corporation	Other accounts receivable - related parties	Yes	433,258	433,258	433,258	0.50	2	-	Operating Capital	-	-	-	618,181	618,181
4	D-Link Europe	D-Link Corporation	Other accounts receivable - related parties	Yes	313,645	313,645	313,645	1.00	2	-	Operating Capital	-	-	-	1,243,696	1,243,696
5	D-Link (Deutschland) GmbH	D-Link Europe	Other accounts receivable - related parties	Yes	156,822	156,822	97,230	1.00	2	-	Operating Capital	-	-	-	180,707	180,707

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.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Japan K.K..

Note 5: Total amount of loans from D-Link Europe to the 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).

Note 7: Only disclose funding loan limits that are still valid until end the year of 2021.

##### (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	116,864	116,864	59,987	-	1.38 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	69,225	69,225	-	-	0.82 %	5,998,365	Y	N	Y
0	D-Link Corporation	D-Link Trade	2	1,999,455	13,845	13,845	-	-	0.16 %	5,998,365	Y	N	N

(Continued)

## D-LINK CORPORATION

### Notes to the Financial Statements

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 December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
D-Link Corporation	EHO0	None	Non current financial assets at fair value through profit or loss	749,663	-	4.11 %	-	
D-Link Corporation	EWAVE	None	Non current financial assets at fair value through profit or loss	83,334	-	1.89 %	-	
D-Link Corporation	TGC	None	Non current financial assets at fair value through profit or loss	500,000	-	1.84 %	-	
D-Link Corporation	YICHA Information Corporation	None	Non current financial assets at fair value through profit or loss	73,500	-	6.68 %	-	
D-Link Corporation	UBICOM	None	Non current financial assets at fair value through profit or loss	926,814	-	3.05 %	-	
D-Link Corporation	Purple Comm, Inc.	None	Non current financial assets at fair value through profit or loss	3,385,417	-	14.10 %	-	
D-Link Corporation	Global Mobile Corp.	None	Non current financial assets at fair value through profit or loss	6,600,000	-	2.39 %	-	
D-Link Holding	Best 3C	None	Non current financial assets at fair value through profit or loss	600,000	-	1.88 %	-	
D-Link Holding	E2O	None	Non current financial assets at fair value through profit or loss	252,525	-	0.05 %	-	
YEOTAI	Stemcyte	None	Non current financial assets at fair value through other comprehensive income	18,950	211	0.01 %	211	
YEOTAI	Kamei	None	Non current financial assets at fair value through other comprehensive income	289,178	29,207	0.02 %	29,207	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	268,723	34,036	- %	34,036	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	14,742	28,340	- %	28,340	
D-Link India	TATA MUTUAL FUND	None	Current financial assets at fair value through profit or loss	27,592	33,956	- %	33,956	
D-Link India	SBI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	27,641	34,017	- %	34,017	
D-Link India	LIC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	17,040	24,326	- %	24,326	
D-Link India	HDFC MUTUAL FUND	None	Current financial assets at fair value through profit or loss	14,630	22,603	- %	22,603	
D-Link India	UTI MUTUAL FUND	None	Current financial assets at fair value through profit or loss	26,253	33,804	- %	33,804	
D-Link India	AXIS MUTUAL FUND	None	Current financial assets at fair value through profit or loss	39,038	33,871	- %	33,871	
D-Link India	KOTAK MUTUAL FUND	None	Current financial assets at fair value through profit or loss	21,193	33,668	- %	33,668	

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
D-Link Corporation	Common	Investment accounted under the equity method		Associate	39,852,993	364,653	97,680,000	799,999	-	-	-	-	137,532,993	1,394,856

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.

(Continued)



## D-LINK CORPORATION

### Notes to the Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of NTS300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTS300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	Sale and service revenue	(560,549)	(40) %	60 days	—	—	52,526	23%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	560,549	72 %	60 days	—	—	(52,526)	(3)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	Sale	(487,759)	(5) %	75 days	—	—	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	Sale	(333,818)	(4) %	60 days	—	—	42,391	1%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	Sale	(2,835,786)	(30) %	60 days	—	—	620,789	17%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	Sale	(1,466,321)	(16) %	60 days	—	—	550,380	15%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	Sale	(205,412)	(2) %	60 days	—	—	22,568	1%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	Sale	(228,633)	(2) %	75 days	—	—	388,126	11%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	Sale	(494,865)	(5) %	60 days	—	—	113,826	3%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	Sale	(671,294)	(7) %	45 days	—	—	127,348	4%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	Sale	(1,124,943)	(12) %	180 days	—	—	749,994	21%	
D-Link International	Cameo	Investments accounted for using equity method by D-Link Corporation	Purchase	1,029,175	13 %	90 days	—	—	(172,496)	(10)%	
D-Link International	Amigo	Other related-party	Purchase	148,826	2 %	90 days	—	—	(104,495)	(6)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	487,759	93 %	75 days	—	—	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	333,818	99 %	60 days	—	—	(42,391)	(95)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	2,835,786	97 %	60 days	—	—	(620,789)	(86)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,466,321	55 %	60 days	—	—	(550,380)	(81)%	

(Continued)

## D-LINK CORPORATION

### Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	205,412	91 %	60 days	—	—	(22,568)	(99)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	228,633	93 %	75 days	—	—	(388,126)	(97)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	494,865	90 %	60 days	—	—	(113,826)	(98)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	671,294	22 %	45 days	—	—	(127,348)	(22)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,124,943	98 %	180 days	—	—	(749,994)	(99)%	

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	620,789	7.00	-	-	124,112	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	581,967	-	585,667	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	388,126	0.81	381,121	-	-	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	113,826	3.12	-	-	30,741	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	749,994	1.61	-	-	-	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	127,348	5.19	5	-	23,720	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	550,380	4.17	-	-	230	-

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

Note 2: The amount represents collections subsequent to December 31, 2021 up to January 21, 2022.

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
D-Link International	Cross currency swap	Non-trading : EUR	EUR 4,000	73	73
D-Link International	Forward foreign exchange contract	EUR (Sell)	EUR 3,000	364	364
D-Link International	Forward foreign exchange contract	CAD (Sell)	CAD 700	4	4
D-Link International	Forward foreign exchange contract	JPY (Sell)	JPY 448,900	280	280
D-Link Corporation	Cross currency swap	USD	USD 1,700	(270)	(270)
D-Link Corporation	Cross currency swap	EUR	EUR 10,000	(2,402)	(2,402)

(Continued)

**D-LINK CORPORATION**  
**Notes to the Financial Statements**

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	(7,131)	(7,131)
D-Link International	Cross currency swap	CAD	CAD 1,100	(187)	(187)
D-Link International	Cross currency swap	CNH	CNH 133,670	(1,439)	(1,439)
D-Link International	Cross currency swap	EUR	EUR 12,000	(1,334)	(1,334)
D-Link International	Cross currency swap	AUD	AUD 300	(94)	(94)
D-Link International	Cross currency swap	GBP	GBP 1,000	(531)	(531)
D-Link International	Cross currency swap	RUB	RUB 150,028	(334)	(334)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR 188,766	(1,008)	(1,008)
D-Link International	Forward foreign exchange contract	AUD (Sell)	AUD 1,000	(149)	(149)
D-Link International	Forward foreign exchange contract	GBP (Sell)	GBP 500	(76)	(76)
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL 80,445	(1,309)	(1,309)
D-Link International	Forward foreign exchange contract	KRW (Sell)	KRW 2,144,020	(104)	(104)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,625,875	1,625,875	47,295,007	98.44 %	1,299,802	(64,899)	(64,899)	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 %	279,408	1,365	1,365	
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 %	2,205,874	479,733	389,102	100% shares owned by D-Link Corporation and D-Link Holding Investment gains and losses recognized for the period include the recognition of gains and losses on transactions with associates
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 %	(565,620)	(56,561)	(56,561)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,953	1,588	1,588	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 %	14,527	(246)	(246)	100% shares owned by D-Link Corporation and D-Link Sudamerica
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(117,935)	(94,358)	(94,358)	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 %	797,809	29,689	29,689	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 %	149,831	12,153	12,153	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	68,062,300	100.00 %	1,684,899	109,748	109,748	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	15,415	-	100% shared owned by D-Link Corporation directly and indirectly. D-Link Corporation share's profit 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 %	647,668	17,491	17,491	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(68,898)	39,892	39,892	

(Continued)

## D-LINK CORPORATION

### Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link Corporation	YEOCHIA	Taiwan	Investment company	-	122,400	-	-	-	2,814	2,814	Carried out liquidation procedure on December 1, 2021
D-Link Corporation	YEOMAO	Taiwan	Investment company	-	70,052	-	-	-	917	917	Carried out liquidation procedure on December 1, 2021
D-Link Corporation	YEOTAI	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	62,598	1,690	1,690	
D-Link Corporation	Samso	Taiwan	Research, developments, designs, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	1,102,479	-	137,532,993	41.58 %	1,394,856	390,654	193,398	Note 1 At the beginning of the period, D-Link corporation held 17.35% shares, which was measured in financial assets at fair value through other comprehensive income, in February 2022, increasing investment and holding to 41.58% shares, then turning into using equity methods.
D-Link Investment	D-Link Trade	Russia	Marketing and after-sales service in Russia	66,538	66,538	-	100.00 %	(67,427)	40,100	40,100	
D-Link Trade	TCOM	Russia	Marketing and after-sales service in Russia	12,483	-	-	40.00 %	8,709	(6,414)	(4,047)	
D-Link International	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	22	22	1,000	0.10 %	18	12,153	-	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 %	29,241	29,689	-	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 %	(31,516)	(7,132)	(7,132)	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after-sales service in Moldova	13	13	-	100.00 %	(193)	365	365	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	692,110	3,901	3,901	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after-sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,334	381	381	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after-sales service	3,574	3,574	1,000	100.00 %	3,850	634	634	
D-Link Holding	D-Link Europe	UK	Marketing and after-sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,173,116	26,534	26,534	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after-sales service	8,466	8,466	425,340	0.64 %	(13,568)	479,733	-	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	-	100.00 %	4,521	14	14	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	888,913	81,537	81,537	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(539,232)	331	331	
D-Link Holding	D-Link Systems	USA	Marketing and after-sales service in USA	49,320	49,320	750,000	1.56 %	41,535	(64,895)	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wahli	Singapore	Research, development, marketing and after-sales service	-	68,566	-	-	-	-	-	Cancellation of registration in January, 2022
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	147,272	819	819	
D-Link Holding	MiiCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	-	812	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	-	-	100	-	-	(94,358)	-	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	-	-	1,588	-	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	18,114,063	51.02 %	871,378	161,114	82,201	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	9,326	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 %	119,432	9,326	9,325	100% shares owned by D-Link Mauritius and D-Link India

(Continued)

## D-LINK CORPORATION

### Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
D-Link L.A.	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	-	-	1	0.03 %	3	708	-	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 %	5,462	(731)	(731)	
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 %	515	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	38	38	3,499	99.97 %	8,564	708	708	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	6	6	3	- %	6	(246)	-	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	2,780	100	100.00 %	113	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. Liquidation is in process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	131,769	131,769	-	100.00 %	180,707	15,415	15,415	
D-Link Europe	D-Link AB	Sweden	Marketing and after-sales service in Sweden	9,022	9,022	15,500	100.00 %	15,731	1,450	1,450	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after-sales service in Spain	1,976	1,976	50,000	100.00 %	58,611	3,729	3,729	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after-sales service in Italy	2,177	2,177	50,000	100.00 %	16,802	7,314	7,314	
D-Link Europe	D-Link Holdings Ltd	UK	Investment company	-	-	3	100.00 %	8,991	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after-sales service in France	5,287	5,287	114,560	100.00 %	35,512	2,884	2,884	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after-sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,453	536	536	
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 %	22,877	1,729	1,729	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after-sales service in Hungary	523	523	300	100.00 %	5,755	209	209	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after-sales service in Czech	329	329	100	100.00 %	3,653	366	366	
D-Link (Holdings) Ltd	D-Link UK	UK	Marketing and after-sales service in UK	-	-	300,100	100.00 %	8,991	-	-	
D-Link Mediterraneo SRL	D-Link Adria d.o.o	Croatia	Marketing and after-sales service in Croatia	326	326	-	100.00 %	1,157	12	12	
D-Link ME	D-Link Network	Republic of South Africa	Marketing and after-sales service in South Africa	-	-	100	100.00 %	(41)	(478)	-	
YEOCHIA and YEO TAI	Xiramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	38,110	181,500	1,832,446	41.18 %	4,350	2,081	4,350	

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

Note 2: Limited Company

(Continued)

## D-LINK CORPORATION

### Notes to the Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 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	539,955	( 2 )	539,955	-	-	539,955	(2,209)	100.00%	(2,209)	(550,438)	-
Netpro Trading	Research, development and trading business	19,383	( 2 )	18,067	-	-	18,067	2,540	100.00%	2,540	13,404	-
YouXiang	Technical Service and Import/Export trading business	61,671	( 3 )	-	-	-	-	5,539	9.86%	-	3,882	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Other

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 27.690, CNY 4.3430 as of December 31, 2021.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
558,022	558,022	Note

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sapido Technology Inc.		59,818,400	9.97 %
Yitongyuan Investment Co., Ltd.		32,825,600	5.47 %

(14) Segment information:

Please refer to Consolidated Financial Statements for the years ended December 31, 2021, and 2020.

**D-LINK CORPORATION**  
**Statement of cash and cash equivalents**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash	Petty cash and Foreign currency deposits	\$ <u>191</u>
Bank deposits	Checking and Saving accounts	
	NTD	78,156
	USD : 2,091 (in thousands)	57,926
	Other foreign currency deposits	<u>15,118</u>
		<b>\$ <u><u>151,391</u></u></b>

Note 1: The exchange rate of USD to NTD as of December 31, 2021 is 27.69.

**D-LINK CORPORATION**  
**Statement of notes receivable**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
EVERCOM SCIENTIFIC SYSTEM CO.,LTD	\$ 875
Rui Yuan Co., Ltd.	3,235
OLLO CO., LTD.	772
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	401
	<b>\$ 5,283</b>

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



**D-LINK CORPORATION**  
**Statement of accounts receivables**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Company A	\$ 37,935
Company B	27,873
Company C	21,972
Company D	11,231
Company E	8,548
Company F	8,512
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	28,188
	144,259
Less: Allowance for doubtful accounts	(885)
	<b>\$ 143,374</b>

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

**D-LINK CORPORATION**  
**Statement of other receivables**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Receivable amounts from advance payment of subsidiaries		\$ 12,699
Receivable amounts from liquidation of subsidiaries		214,785
Others (The amount of individual vendor included within "Others" does not exceed 5% of this account balance.)		<u>13,034</u>
		<u><u>\$ 240,518</u></u>

**D-LINK CORPORATION**

**Statement of inventories**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realizable value</u>	
Finished goods	\$ 110,634	<u><u>99,351</u></u>	Market price is measured at net realizable value
Less: Allowance for inventory write downs and obsolescence	<u>(21,760)</u>		
	<u><u>\$ 88,874</u></u>		

**D-LINK CORPORATION**  
**Statement of other current assets**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Prepaid software fees	\$ 22,578
Prepayment for purchase	16,965
Prepaid warranty fees	4,325
Input tax	3,522
Temporarily payment	2,170
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	6,455
	<b>\$ 56,015</b>

**D-LINK CORPORATION**

**Statement of financial assets measured at fair value through other  
comprehensive income - non-current**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

Name	Beginning Balance		Increase		Decrease		Ending Balance		Collateral
	Shares (thousand)	Fair value	Shares (thousand)	Amount	Shares (thousand)	Amount (Note)	Shares (thousand)	Fair value	
Cameo	39,853	\$ 364,655	-	-	39,853	364,655	-	-	None

Note : Including the change in valuation \$49,816 thousand.

**D-LINK CORPORATION**

**Statement of changes in investments accounted for using the equity method**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

	Name of investee		Increase (Decrease)		Net income	Exchange	Unrealized	Other	Ending Balance		Market Value		
	Shares	Amount	Shares	Amount					(losses)	on translation of foreign financial statements		income through other comprehensive income (Note 3)	Changes (Notes)
Investments accounted for using equity method:													
D-Link Systems	47,295	\$ 1,405,450	-	-	(64,895)	(40,753)	-	-	47,295	1,299,802	98.44 %	1,342,017	
D-Link Canada	8,736	353,669	(3,000)	(67,512)	1,365	(8,114)	-	-	5,736	279,408	100.00 %	279,408	
D-Link International	66,075	2,099,470	-	(203,607)	389,102	(79,091)	-	-	66,075	2,293,874	99.36 %	2,729,266	
D-Link Mexicana	152	15,697	-	-	(246)	(924)	-	-	152	14,527	100.00 %	14,527	
D-Link Middle East (Note 6)	-	792,197	-	-	29,689	(2,4077)	-	-	-	797,809	83.33 %	832,183	
D-Link Australia	999	151,159	-	-	12,153	(13,481)	-	-	999	149,831	99.90 %	149,831	
D-Link Holding	68,063	1,734,081	-	-	107,748	(158,604)	414	(740)	68,063	1,684,899	100.00 %	1,721,146	
D-Link Deutschland (Note 5)	200	120,050	-	-	-	-	-	-	-	120,050	100.00 %	-	
D-Link Sudamerica	10	719,580	-	-	1,588	(1,112)	-	-	200	10,953	100.00 %	9,582	
D-Link Japan	-	10,477	-	-	17,491	(89,403)	-	-	-	10	647,668	100.00 %	618,181
Yeochai (Note 6)	-	275,149	137,553	1,214,470	193,398	675	(14,416)	729	137,553	1,394,856	41.58 %	1,567,876	
Yeomoo	10,220	128,946	(10,220)	(43,616)	2,814	-	35	(6,829)	-	-	-	-	
Yeotai	14,600	63,113	-	-	1,690	-	(2,453)	16,206	-	-	-	-	
		<u>7,869,638</u>		<u>528,566</u>	<u>694,814</u>	<u>(414,884)</u>	<u>(18,496)</u>	<u>(129)</u>	<u>14,600</u>	<u>62,598</u>	<u>100.00 %</u>	<u>62,598</u>	
Credit balance of equity investment:													
D-Link L.A.	41	(524,882)	-	-	(56,561)	15,823	-	-	41	(565,620)	100.00 %	(568,346)	
D-Link Brazil	2,964,837	(30,914)	-	-	(94,358)	7,337	-	-	2,964,837	(117,935)	100.00 %	(117,935)	
D-Link Investment	2,200	(111,723)	-	-	39,892	2,583	-	-	2,200	(68,898)	100.00 %	(68,898)	
		<u>(667,519)</u>		<u>528,566</u>	<u>(83,787)</u>	<u>(88,741)</u>	<u>(18,496)</u>	<u>9,237</u>		<u>(791,582)</u>			

Note 1: The increase in current period is due to increased investments amounting to \$799,999 thousand in Cameo, and turned financial assets at fair value through other comprehensive income into using equity methods amounting to \$414,471 thousand, increased \$1,214,470 thousand in total.

Note 2: The decrease in current period is due to the adoption of equity methods for cash dividends amounting to \$203,607 thousand, reduced capital by cash amounting to \$267,512 thousand, YECHIAI and YEOMAO carried out liquidation procedures in December 2021, turned investment accounted for using equity methods into other receivables amounting to \$214,785 thousand.

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

Note 4: The other changes were due to recognizing the investment adjustments through using equity method, resulting in the decrease of \$740 thousands in capital surplus and the decrease of \$9,977 thousands in retained earnings.

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

Note 6: Yeochia, is a LLC and has yet divided shares; D-Link ME has under a thousand shares.

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

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

**D-LINK CORPORATION**

**Statement of changes in property, plant and  
equipment**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Transfer</b>	<b>Balance as of December 31, 2021</b>
Land	\$ 531,453	-	-	-	531,453
Buildings	548,086	717	-	-	548,803
Others	722,347	30,884	126,777	-	626,454
	<b>\$ 1,801,886</b>	<b>31,601</b>	<b>126,777</b>	<b>-</b>	<b>1,706,710</b>

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

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Transfer</b>	<b>Balance as of December 31, 2021</b>	<b>Note</b>
Accumulated Depreciation :						
Buildings	\$ 425,572	4,992	-	-	430,564	Note1
Others	623,929	51,487	126,777	-	548,639	Note2
	<b>\$ 1,049,501</b>	<b>56,479</b>	<b>126,777</b>	<b>-</b>	<b>979,203</b>	

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

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

**D-LINK CORPORATION**

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

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance as of December 31, 2021</b>
Buildings	<u>\$ 16,065</u>	<u>3,214</u>	<u>(958)</u>	<u>18,321</u>

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

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance as of December 31, 2021</b>
Accumulated Depreciation :				
Buildings	<u>\$ 4,137</u>	<u>3,639</u>	<u>(958)</u>	<u>6,818</u>



**D-LINK CORPORATION**

**Statement of changes in investment property**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance as of December 31, 2021</b>
Land	\$ 30,000	-	-	30,000
Buildings	22,196	-	-	22,196
	<u>\$ 52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>

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

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance as of December 31, 2021</b>
Buildings	\$ 11,924	396	-	12,320

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

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

<b>Item</b>	<b>Balance as of January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance as of December 31, 2021</b>
Buildings	\$ 1,000	-	-	1,000

**D-LINK CORPORATION**

**Statement of changes in intangible assets**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

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

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

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

**D-LINK CORPORATION**  
**Statement of other non-current assets**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Refundable deposits	\$ 4,542
Others	<u>396</u>
Total	<u><u>\$ 4,938</u></u>

**D-LINK CORPORATION**

**Statement of other short-term loans**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Type of loans</u>	<u>Ending Balance</u>	<u>Term of contract</u>	<u>Interest rate(%)</u>	<u>Financing limit</u>	<u>Mortgages or guarantees</u>
Loans from related parties	\$ <u><u>746,903</u></u>	111	0.5~1	-	None

**D-LINK CORPORATION**

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

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares	Carrying Amount	Total	Interest Rate	Unit Price	Fair Value		Fair value changes are attributable to the changes of credit risk
							Unit Price	Total	
Derivative financial liabilities									
Cross currency swaps		-	\$ -	-	-	%		9,803	-

**D-LINK CORPORATION**  
**Statement of note and accounts payables**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Suppliers name</b>	<b>Amount</b>
Company A	\$ 9,054
Company B	8,110
Company C	22,882
Company D	22,046
Company E	23,060
Others (The amount of individual vendor included within“Others”does not exceed 5% of this account balance.)	45,884
	<b>\$ 131,036</b>

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

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

**D-LINK CORPORATION**  
**Statement of other payables**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Payables on salaries, bonuses, labor health insurances and pensions	\$ 99,160
Payables on research fees	5,075
Payables on equipment	17,744
Others (The amount of individual vendor included within“Others”does not exceed 30,000 thousand.)	<u>65,089</u>
	<u><b>\$ 187,068</b></u>

**D-LINK CORPORATION**  
**Statement of provisions - current**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Warranties	\$ 62,860
Litigations and royalties	<u>119,067</u>
	<u><u>\$ 181,927</u></u>



**D-LINK CORPORATION**  
**Statement of other current liabilities**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Payables on income taxes	\$ 23,196
Payables in lieu of untaken annual leave	23,786
Temporary receipts	5,235
Others (The amount of individual item within“Others” does not exceed 5% of this account balance.)	<u>3,067</u>
	<u><u>\$ 55,284</u></u>

**D-LINK CORPORATION**  
**Statement of lease liabilities**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate%</u>	<u>Ending Balance</u>
Buildings	For office use	5 years	1.60~1.79	\$ 11,879
Less: classified as current lease liabilities				<u>(4,033)</u>
Lease liabilities-non current				<u><u>\$ 7,846</u></u>

**D-LINK CORPORATION**  
**Statement of other non-current liabilities**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Investments accounted for using equity method-credit balance	\$ 752,453
Others	<u>14,336</u>
	<u><u>\$ 766,789</u></u>

**D-LINK CORPORATION**  
**Statement of operating revenue**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantities (per piece)</u>	<u>Amount</u>
Sales Revenue:		
Network communication products	507,226	\$ 786,679
Service Revenue		<u>605,896</u>
		<u>\$ 1,392,575</u>

**D-LINK CORPORATION**  
**Statement of operating costs**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Beginning Inventories	\$ 145,236
Add : Purchases	474,374
Less: Ending Inventories	110,634
Transferring to expenses and others	11,457
Cost of goods sold	497,519
Warranty Costs	15,460
Gains related to inventories	5,390
Others	2,512
	<b>\$ 520,881</b>

**D-LINK CORPORATION**  
**Statement of selling expenses**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 274,915	
Royalty expenses		36,874	
Service expenses		5,747	
Depreciation and amortization		1,877	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>47,803</u>	
		<u><u>\$ 367,216</u></u>	

**D-LINK CORPORATION**  
**Statement of administrative expenses**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 127,627	
Service Expenses		77,867	
Depreciation and Amortization		15,710	
Royalty expenses		(40,136)	
Maintenance of software		19,727	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>49,181</u>	
		<u><u>\$ 249,976</u></u>	

**D-LINK CORPORATION**  
**Statement of research and development expense**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Personnel expenses		\$ 424,257	
Outsourcing research expenses		60,670	
Depreciation and Amortization		83,686	
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)		<u>18,398</u>	
		<u><u>\$ 587,011</u></u>	



**D-LINK CORPORATION**

**Statement of finance costs**

**For the year ended December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		\$ 5,507	
Others		<u>201</u>	
		<u>\$ 5,708</u>	

**D-LINK CORPORATION**  
**Statement of other income and other gains and**  
**losses**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Other income:	
Rental income	\$ 2,398
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	2,721
	<b><u>\$ 5,119</u></b>
Other gains and losses:	
Foreign currency exchange gains	\$ 14,520
Valuation losses from financial assets and liabilities	(30,439)
Others (The amount of individual item within "Others" does not exceed 5% of this account balance.)	5
	<b><u>\$ (15,914)</u></b>

# D-Link®

## **D-Link Corporation**

No.289, Xinhua 3rd Rd., Neihu District, Taipei City, Taiwan, R.O.C.

Tel: 886-2-6600-0123

Fax: 886-2-2790-0977