Building Networks for People

Stock code
2332

Annual Report 2019

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Company Website: http://www.dlink.com.tw

Shareholder Services Website: http://ir.dlink.com.tw

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Overseas Stock Transfer Information

None

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Contents

Contents

Chapter 1 Letter to Shareholders

Dear Shareholders,

In the global trade environment mainly affected by the trade war in 2019, the overall global economic growth has been revised downward. In addition, with the fierce competition in the Netcom equipment industry, not only the existing Netcom equipment suppliers but online service providers have also joined the competition. In the face of a tough competitive environment, D-Link still manages to maintain a certain percentage of its market share. In the face of these challenges, D-Link's management team continues to uphold the principles of "innovation," "execution," "inheritance," and "sustainable operation" in its business policies, while actively adjusting its organization and products, to do its utmost to create profits for shareholders.

According to the financial performance in 2019, the global consolidated revenue was NT$17 billion, a decline of 12.3% compared with 2018; gross profit margin was 27.9%, a decrease of 1% from 28.9% in 2018; the net operating loss was NT$380 million, an increase of NT$630 million in loss compared with the operating profit of NT$250 million in 2018; the net loss after tax is NT$510 million, an increase of NT$ 620 million in net loss compared with the net profit after tax of NT$110 million in 2018; the loss after tax is NT$0.78 per share.

The Company's sales plan for each product category for 2020 is as follows:

1. Switch Products
   The Company will continue to strengthen its local sales teams and actively develop SI channels, focusing on product lines, such as Managed Switch, Managed Switch, and Nuclias Cloud.
2. Wireless Routers
   The Company will conduct strategic cooperation with various network service providers to integrate application services of both parties. In addition to joining the group of winners, the Company will invest in resources for software research and development to strengthen the differentiation of product applications to increase the competitiveness in the high-end router market. On the other hand, the Company will promote product sales through the brand advantages created through high-end routers of Wi-Fi 6.
3. Broadband Network Products
   Development direction will focus on high-end and high added-value products as well as customized software requirements. Therefore, a series of products from VDSL IAD, G.fast IAD, 11ax VDSL router to XGS-PON has been launched.
4. Mobile Broadband Products
   The Company will also invest resources in the research and development of new technologies, including 5G/4.5G and small cell, actively integrating third-party software resources to improve product differentiation. It is expected to launch a variety of 5G NR indoor/outdoor products.
5. Digital Cameras and the Internet of Things (IoT)
   The Company will enhance product security and integrate cloud resources and third-party software applications to launch comprehensive solutions/platforms. It is hoped to increase customer loyalty to cope with low price competition, and maintain stable profitability.

Development Strategy and Important Production and Sales Policies:

1. Development of a Complete Network Solution: The Company will continue to develop professional capabilities for product integration, upgrade technical service levels, implement business solutions, and strengthen cooperation with VAD, VAR, and SI channels. D-Link will also introduce enterprise cloud services to lower the technical threshold and service cost for its partners.
2. Complete Cloud Netcom Product Lines: The Company will focus on the R&D and rapid deployment of the D-Link Cloud product lines that integrate innovative service applications,

such as cloud surveillance, smart home, IoT, cloud storage, and mydlink platform, to seize the market opportunities and build the first brand of cloud Netcom.

3. Strategic and New product Promotion: The Company will plan several key product lines for consumers and corporate clients, respectively, to seize the huge business opportunities in the early growth stage of the new market. The Company will also launch innovative products as soon as possible and incorporate applications of security, mesh, voice control, IoT, and AI to raise the entry barriers for competitors in the hope of consolidating D-Link's leadership in the markets of these niche products. Its strategic products are as follows:
   Consumer market: IP Camera, 5G, LTE, Mesh Router, 11ax Router, and Smart Home.
   Corporate market: Managed Switch, Smart Switch, and Nuclias Cloud
4. Investment in the Development of Proprietary Software: With rapid market changes and the rise of China's supply chains, software development has become the key to differentiation. Cloud, switches, and routers are the key areas for growth and development of the Company. With its own core software, the Company is able to get rid of the low-price competition and create more valuable products. Through its long-term global layout and effort, the Company's unique competitive advantages will be more useful in response to different cultures and in understanding customers' needs, exploring and integrating software development talents from different regions.

Looking forward to 2020, facing the outbreak of COVID-19 in China at the beginning of the year, the epidemic is expanding rapidly, and China has adopted preventive measures, such as postponement of work and lockdown, affecting production and commercial activities. The US-China trade war has also created downside risks to long-term global economic growth. Facing the adverse business environment, D-Link will continue to strictly control the operating, management and sale costs internally as well as actively adjust the product and channel structure to improve profitability. Externally, the Company will set segmentation targets based on the differences of each market and invest resources strategically in accordance with market demands for product upgrades. It is expected to recover developed markets with relative stability and certain emerging countries, and enhance the overall competitiveness of products as well as the Company's operating performance.
In particular, I would like to thank the shareholders for your long-term trust and support. Our management team and all staff will continue to uphold the principles of stable operation and sustainable development, implement corporate social responsibility, and work together to achieve our performance targets. Finally, I wish you all the best and good health.

Chairman:	President:
Lori Hu, Gao-Ju Investment Co., Ltd.	Lori Hu

Chapter 2 Company Profile

I. Date of Incorporation: 06/20/1987

II. Company History

Mar. 1986	D-Link Company Ltd. was established (later changed to D-Link Corporation Ltd.) A subsidiary was established in the US in the same year.
Jun. 1987	D-Link Corporation was formally established at the Hsinchu Science Park.
Aug. 1989	A subsidiary was established in the UK.
Feb. 1990	A subsidiary was established in Canada.
June 1990	A subsidiary was established in France.
May 1991	A subsidiary was established in Australia.
Jun. 1991	The construction of a plant (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	A subsidiary was established in Russian. 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 99th 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.

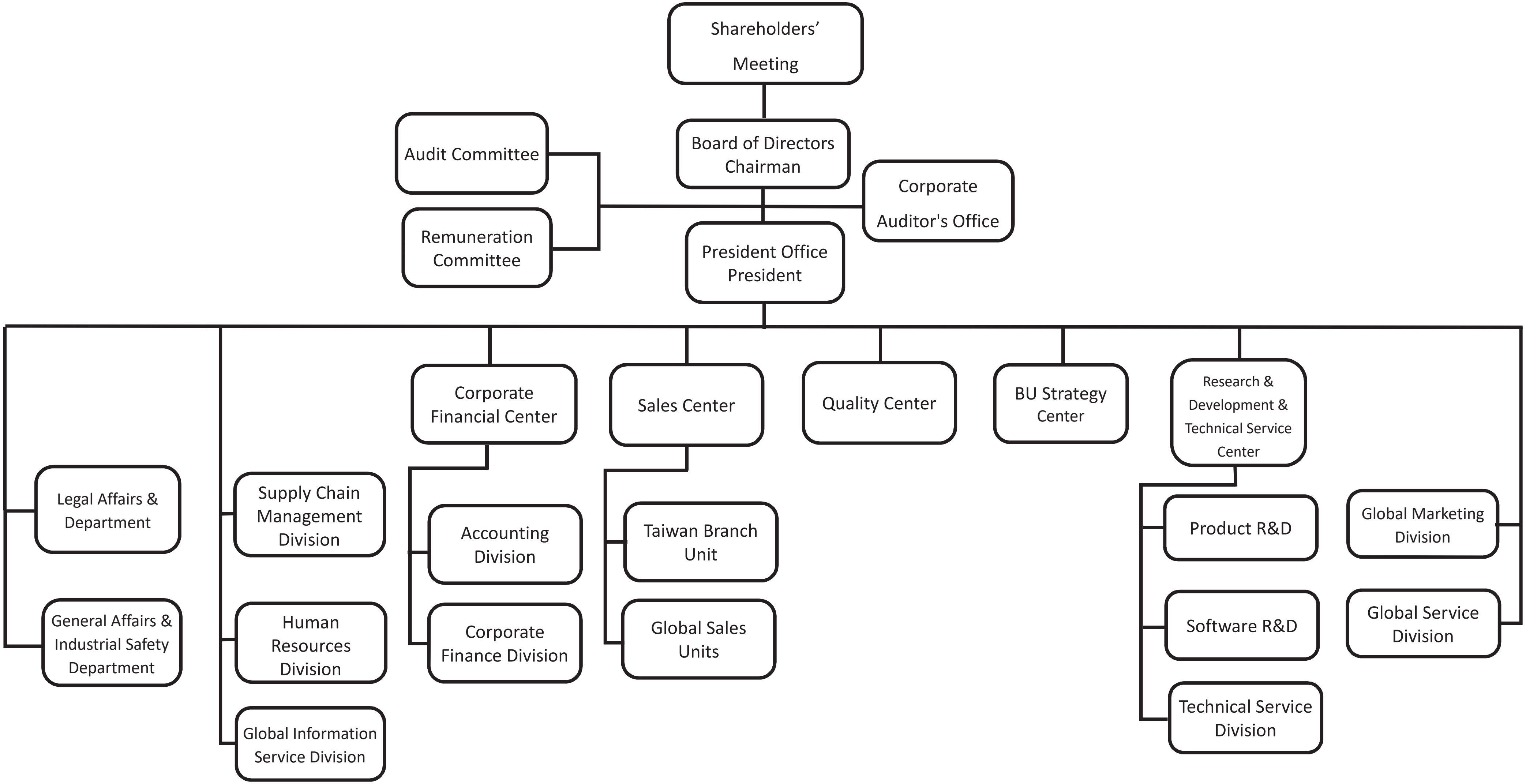
Nov. 2009	1. Awarded the Outstanding Innovation Enterprise Award at the 17th Industrial Technology Development Award held by the Ministry of Economic Affairs. 2. Chairman Mr. Chung-Wang Li was awarded the personal achievement award "R&D Management Innovation Award" at the 17th Industrial Technology Development Award held by the Ministry of Economic Affairs.
Oct. 2010	D-Link’s network security system was recognized and patented in the UK.
Mar. 2011	A subsidiary was established in Korea.
Jul. 2011	Awarded the "Top 100 Taiwanese Brands" organized by Bureau of Foreign Trade, Ministry of Economic Affairs, and executed by TAITRA.
Sep. 2011	Won the "2011 Taiwan Top 20 International Brands" award organized by the Bureau of Foreign Trade, Ministry of Economic Affairs, executed by TAITRA, and co-organized by Business Next and Interbrand.
Dec. 2011	1. Led the Netcom industry as the first player to launch innovative and revolutionary new products 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 Netcom products. 2. D-Link's 17 excellent products won the 20th Taiwan Excellence Awards (2011 Taiwan Excellence).
Jun. 2012	1. Participated in the World IPV6 Launch Day and enabled the IPV6 network communication protocol of multiple products as a default to accelerate the establishment of IPV6 by corporate users and ISPs. 2. The innovative technology of "Zero Setting" was launched.
Sep. 2012	Awarded “2012 Top 20 International Brands in Taiwan” organized by the Bureau of International Trade, Ministry of Economic Affairs.
Oct. 2012	1. Awarded "Outstanding Innovation Enterprise Award" at the 2nd National Industrial Innovation Awards launched by the Ministry of Economic Affairs. 2. D-Link's DIR-636L 11N USB 1000M cloud router won the 2012 Japan "Good Design Award."
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 22nd Taiwan Excellence Awards.
Dec. 2014	1. Awarded the "2014 Taiwan Top 20 International Brands." 2. Launched the concept of "GET YOUR HOME TALKING; Smart Home・Internet of Things." With the app of mydlink ™ Home as an integrated platform, D-Link launched a series of smart home products, including Wi-Fi network cameras, Wi-Fi smart sockets, and Wi-Fi smart sensors, with the most comprehensive layout in the smart home field in the Netcom industry.
Sep. 2015	Awarded the 18th place in the "2015 Taiwan Top 20 International Brands " organized by the Industrial Development Bureau, Ministry of Economic Affairs, executed by the Taiwan Institute of Economic Research, and co-organized by Interbrand, a global brand value survey agency.
Oct. 2015	1. Became the first company in Taiwan to pass the latest version of ISO 9001: 2015/ISO 14,001: 2015 certification. 2. Led the world by launching the first home-use 180° super wide-angle network cameras: DCS-2630L and DCS-960L.

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

Chapter 3 Corporate Governance

I. Organization

(I) Organization chart



(II) Department functions

Department	Functions
Board of Directors	The Chairman is the legal representative of the Company and is authorized by the Board to manage all businesses and make decisions on behalf of the Company.
Audit Committee	Assisting the Board of Directors in fulfilling the supervision of the Company's adequate expression in the Company's financial statements, the appointment (dismissal) of CPAs and independence of CPAs, the 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.
Corporate Auditor's Office	Evaluating the effectiveness of the Company's internal control system and the deficiencies during its implementation, while providing suggestions for improvement in a timely manner.
President Office	1. Implementing the Company's major resolutions adopted by the Board of Directors, comprehensively managing the Company's development of the future business plan and marketing business, as well as guiding and supervising various business activities. 2. Establishing the Company's brand image and determining the Company's business goals, direction, and vision. 3. Coordinating the implementation of the Company's global product, operation, and marketing development strategies, and supervising and supporting the business development of various business units.
Legal Affairs Dept.	Legal matters related to investment, technology, procurement, marketing, debt claims, and intellectual property rights.
General Affairs & Industrial Safety Dept.	Logistics support for general affairs, property and equipment management, and occupational safety and health management.
Supply Chain Management Division	1. Management of procurement, price negotiation, delivery, and distribution logistics of products outsourced. 2. Supplier management, product supply and demand management, as well as import and export operations. 3. Integrating estimates for global procurement needs for products and components; strategic procurement management.
Human Resources Division	Human resources-related affairs, including education, training, recruitment, and salary management.
Global Information Service Division	1. Managing hardware/software operations and planning for global information-related systems. 2. Establishing and implementing information standardization systems in conjunction with the IT/MIS integrated system.

Department	Functions
Corporate Financial Center Corporate Finance Div. Accounting Div.	1. Formulating the Company's wealth management and investment strategies, making effective use of funds, controlling financial risks, to achieve the reasonableness of the return on the overall investment made by the Company. 2. Analyzing the operating performance of each operating units of the Company. 3. Facilitating the communication between the Company and investors to enhance the transparency of financial information. 4. Financial related business, including cash management, financing management, hedging, credit risk management, investment management, and stock affairs. 5. Conducting relevant accounting operations of the head office and the Taiwan branch. 6. Coordinating and compiling relevant accounting operations of the branches and subsidiaries around the world. 7. Providing various financial and management reports to decision-making units.
Sales Center Taiwan Business Unit Global Sales Units	1. Developing the Company's business strategies and managing the Company's business targets. 2. Product marketing and relevant after-sales services for the Taiwan market. 3. Supporting overseas subsidiaries in business promotion to achieve performance targets.
Quality Center	1. Establishing a comprehensive product development quality control system, setting mid- and long-term quality objectives and plans, and improving product quality and the Company's brand image. 2. Performing regular audits of suppliers' product quality, development, and production capabilities.
BU Strategy Center	1. Strategic planning, application, and sales of D-Link's full range of product and service platform. 2. Coordinating the needs across different units and product lines and completing communication and introduction through PLM. 3. Coordinating the functions of product appearance packaging, mechanical design, and visual image.
Research & Development & Technical Service Center Products R&D Software R&D Technical Service Division	1. Planning and formulating the overall R&D strategies for new products and technologies. 2. Research, planning, design, and specification setting for D-Link's full range of products. 3. Development and design of the D-Link service platform and user interface as well as planning and management of software project schedules. 4. Software specification setting and testing for products; automatic test development and test case development 5. Development and testing of product software application systems and functions. 6. Verifying product software and hardware functions and compatibility; providing quick and effective technical support services.

Department	Functions
Global Marketing Division	1. Coordinating and planning public relations and corporate communication strategies for the Company’s brand and product images; executing various marketing events. 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 consistency of brand image on a global scale. 3. Coordinating and planning global digital marketing strategies and establishing and managing digital marketing media. 4. Producing technical documents for global products, making it easier for users to understand product features and installation methods to realize a better user experience.
Global Service Division	Improving the service quality and accurately understanding the status of product quality through the operation of the global RMA system and the establishment of the global customer service centers for customer relationship management.

II. Information on Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(I) Directors

04/17/2020; shares

Title	Nationality/Place of registration	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Education and work experiences	Other 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	%			Title	Name	Relation	
Chairman	Republic of China	Gao Ju Investment Co., Ltd.		2017.04.28	3	2017.04.28	16,346,000	2.51	22,013,000	3.38	-	-	-	-	-	-	None	None	None	None
		Representative：Hsueh Hu (aka Lori Hu)	Female	-	-	-	-	-	3,245,385	0.5	-	-	-	-	Education: Bachelor of Chinese, Fu Jen Catholic University Experience: Chairman of D-Link Charity Foundation	Note 1	Director	Howard Kao	Mother and Son	None
Vice Chairman	Republic of China	Chung- Wang Lee (aka John Lee)	Male	2017.04.28	3	1993.06.21	11,249,744	1.73	11,249,744	1.73	-	-	-	-	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of D-Link Corporation	Note 2	None	None	None	None
Director	Republic of China	Yun-Wei Investment Co., Ltd.		2017.04.28	3	2012.06.22	5,040,000	0.77	5,040,000	0.77	-	-	-	-	-	-	None	None	None	None
		Representative：Hung-Yi Kao (aka Howard Kao)	Male	-	-	-	-	-	3,394,283	0.52	-	-	-	-	Education: University of San Jose, California, USA Experiences: Special Assistant of CEO Office of D-Link Corporation	Note 3	Director	Lori Hu	Mother and Son	None
Director	Republic of China	Alpha Networks Inc.		2017.04.28	3	2008.06.13	10,554,048	1.62	10,554,048	1.62	-	-	-	-	-	Note 4	None	None	None	None
		Representative：Wen-Peng Lin	Male	-	-	-	-	-	-	-	-	-	-	-	Education: College of Law, National Taiwan University Experience: Lawyer of Giant Era International Law Office	Note 5	None	None	None	None
Director	Republic of China	Chien Chin Investment Co. Ltd.		2018.06.22	2	2008.06.13	7,352,597	1.13	7,352,597	1.13	-	-	-	-	-	Note 6	None	None	None	None
		Representative：Chih-Hao Chien (aka Gary Chien)	Male	-	-	-	-	-	-	-	-	-	-	-	Education: Electronics Engineering, National United Institute of Technology Work experiences: Chairman of Cameo Communications, Inc.	Note 7	None	None	None	None
Director	Republic of China	Shih-Kuo Lin (aka Steve Lin)	Male	2018.06.22	2	2011.06.10	0	0	3,000	0	-	-	-	-	Department of Communications Engineering, National Chiao Tung University Experience: President of Han-Lin Technology Co., Ltd.; Representative Supervisor, Director and President of D-Link Corporation; Independent Director, TrueLight Corporation	Note 8	None	None	None	None
Independent Director	Republic of China	Shyang-Fong Chung	Male	2017.04.28	3	2015.06.12	-	-	-	-	-	-	-	-	Education: EMBA of National Chiao Tung University Experience: Chairman of Jia Jie Biomedical Co., Ltd.; Manager of HP Inc.	Note 9	None	None	None	None
Independent Director	Republic of China	Chung-Peng, Fong (aka Fred Fong)	Male	2017.04.28	3	2015.06.12	-	-	-	-	-	-	-	-	Education: Ph.D. and Master of University of Pittsburgh, USA; Bachelor of Electrical Engineering, National Taiwan University Experience: Technical Director of NXP Semiconductors Taiwan Ltd.; President of Koninklijke Philips N.V. (Changshu); Vice President of Tiangong Communication Integrated Circuit Co., Ltd.	Note 10	None	None	None	None
Independent Director	Republic of China	Li-Chun, Chen (aka Freda Chen	Female	2018.06.22	2	2018.06.22	-	-	-	-	-	-	-	-	Education: International Trade, Department of Commerce, School of Law, National Taiwan University Experience: Deputy CFO, Finance Director, and Accounting Manager of IBM Taiwan; Controller of IBM Greater China Group	Note 11	None	None	None	None

Note 1: Chairman elected by the Board of Directors on11/06/2017; Aced as President on 11/13/2019

Note 2: Chairman and CEO of Alpha Networks Inc.; Representative Director and Chairman of Yingtai Investment Co., Ltd.; Chairman of Alpha Foundation; Chairman and Vice Chairman of D-Link Corporation; Representative Director of D-Link Asia Investment Pte. Ltd., Alpha Holdings Inc., Alpha Networks Inc. (Hong Kong), and Hitron Technologies Inc.; Supervisor of Lanner Electronics Inc.

Note 3: Director of D-Link Corporation; Representative Chairman of D-Link (India) Ltd.; Representative Director of Alpha Networks Inc., D-Link Canada Inc., D-Link Holding Co. Ltd., D-Link International Pte. Ltd., D-Link Latin-America Company Ltd., D-Link Shiang-Hai (Cayman) Inc., D-Link Japan K.K., D-Link Mexicana S.A de C.V., D-Link Investment Pte. Ltd., and D-Link Russia Investment Co. Ltd.

Note 4: Representative Director and Supervisor of Alpha Solutions Co., Ltd., Alpha Networks Inc. (Chengdu), Alpha Networks Inc. (Changshu), Yingtai Investment Co., Ltd., and Chenlong Technology Co., Ltd.; Representative Director of D-Link Asia Investment Ptd. Ltd., Dongguan Mingguan Electronics Co., Ltd., Alpha Holdings Inc., Alpha Networks Inc.(USA), Alpha Investment Pte. Ltd., Dongguan Mingrui Electronics Co., Ltd., Alpha Networks Inc. (Hong Kong), Alpha Technical Services Inc., Universal Networks Trading Limited, and Global Networks Trading Limited.

Note 5: Reassigned the Representative Director from Mr. Yu-Chin Lin to Mr. Wen-Peng Lin on 04/07/2020; Director of Formosa Oilseed Processing Co., Ltd. and UNI Airways Corp.; Supervisor of Wayi International Digital Entertainment Co., Ltd.

Note 6: Representative Director and Chairman of Soarnex Technology Corporation; Representative Supervisor of Soarnex Technology Corporation.

Note 7: Representative Director of Chien Chin Investment Co. Ltd., Cameo International Ltd., Huge Castle Ltd., Perfect Choice Co., Ltd., Soarnex Technology Corporation, Yangli Electronics (Suzhou) Co., Ltd., and SOARNEX Technology (Suzhou) Co., Ltd.

Note 8: Resigned the President on 09/30/2019; Chairman of Heli-Ocean Technology Co., Ltd. ; Independent Director of ChipSiP Technology Co., Ltd.

Note 9: Chairman of Shenshou Health Enterprise Co., Ltd.; Director of Jia Jie Biomedical Co., Ltd.

Note 10: Chairman of Shuorong IoT Technology (Changshu) Co. Ltd.

Note 11: Director of Greenvines Biotech Co., Ltd.

(1) Major shareholders of Institutional Shareholders

04/17/2020

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders	Percentage (%)
Gao Ju Investment Co., Ltd.	PRIME PACIFIC LIMITED	100.00
Yun-Wei Investment Co., Ltd.	Roger Kao	96.00
	Li-Chun Tso	2.00
	Li-Ying Tso	2.00
Alpha Networks Inc.	D-Link Corporation	19.22
	Qisda Corporation	18.43
	Wistron Corporation	3.58
	Dali Management Consulting Co., Ltd.	2.34
	Dali Investment Co., Ltd.	2.06
	Taiwan Cooperative Bank, Ltd.	1.89
	Citibank (Taipei) in Custody for Norges Bank Investment Account	1.58
	JPMorgan Chase in Custody for Vanguard Total International Stock Index Investment Account	1.08
	Yoe-Chia Investment Ltd.	1.03
	John Lee	0.82
Chien Chin Investment Co. Ltd.	Cameo Communications, Inc.	100.00

(2) Institutional shareholders whose major shareholders are institutions

04/17/2020

Name of institutional shareholder	Major shareholders of institutions	Percentage (%)
PRIME PACIFIC LIMITED	EASE WIN INVESTMENTS LIMITED	100.00
D-Link Corporation	Please refer to page 44 of this Annual Report for details.	
Qisda Corporation	AU Optronics Corporation	17.04
	Acer Inc.	4.15
	Cathay Life Insurance Company, Ltd.	3.58
	Darfon Electronics Corp.	1.86
	Norges Bank	1.57
	PoLuNing National Development Fund under the custody of Citibank (Taipei)	1.30
	JP Morgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund	1.19
	Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds	1.07
	Citibank (Taipei) in Custody for Creo Venture Corp. Investment Account	0.87
	Citibank (Taipei) in Custody for Dimension Emerging Market Estimate Fund Investment Account	0.79
Wistron Corporation	Yuanta Taiwan Dividend Plus ETF	1.99
	Norges Bank	1.97
	Acer Inc.	1.93
	JPMorgan Chase in Custody for Vanguard Total	1.78

Name of institutional shareholder	Major shareholders of institutions	Percentage (%)
	International Stock Index Investment Account	
	Hsien-Ming Lin	1.53
	Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds	1.45
	Management Board of Public Service Pension Fund	1.41
	Labor Pension Fund	1.34
	Dimensional Emerging Markets Value Fund	1.09
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Authority	1.03
Dali Management Consulting Co., Ltd.	Dali II Investment Co., Ltd.	54.89
	Dali Investment Co., Ltd.	45.11
Dali Investment Co., Ltd.	Qisda Corporation	100.00
Yeo-Chia Investment Ltd.	D-Link Corporation	100.00
Cameo Communications, Inc.	D-Link Corporation	8.01
	Horizon Securities Co., Ltd.	7.66
	Yeo-Chia Investment Ltd.	4.01
	Yeo-Mao Investment Ltd.	3.62
	Gary Chien	1.71
	Yeo-Tai Investment Ltd.	1.71
	Transal Electronic Co., Ltd.	1.66
	Jun Yang Investment Co., Ltd.	0.95
	Kuang-Hui An	0.94
	Citibank (Taipei) in Custody for DFA Core Portfolio Investment Account for Emerging Markets	0.86

(3) Professional qualifications and independence of the Directors

Qualification / Name (Note)	Meets one of the following professional qualifications, with at least five years of work experience			Independence criteria (Note)												Number of other public companies where the individual concurrently serves as an independent director
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience required for business, legal affairs, finance, accounting, or corporate business	1	2	3	4	5	6	7	8	9	10	11	12	
Gao Ju Investment Co., Ltd.: Lori Hu			✓	✓	✓				✓		✓	✓		✓		0
John Lee			✓				✓	✓	✓	✓		✓	✓	✓	✓	0
Yun-Wei Investment Co., Ltd. Representative : Howard Kao			✓		✓	✓		✓	✓	✓	✓	✓		✓		0
Alpha Networks Inc. Representative : Wen-Peng Lin			✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		2
Chien Chin Investment Co. Ltd. Representative: Gary Chien			✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		0
Independent Director Shyang-Fong Chung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Fred Fong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Freda Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

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

(2) Not a director or supervisor of the Company or any of its affiliates (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with regulations, this requirement shall not apply).

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the Company's total issued shares, who are among the top five shareholders, or who designate its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(6) Not a director, supervisor, or employee of another company or institution whose majority of director seats or voting rights are held by the same person (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company are the same person or are spouses (however, if the person is an independent director who serve concurrently in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(8) Not a director (managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (however, if the specific company or institution holds more than 20% and no more than 50% of the total issued shares of the Company and if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(9) Not a professional individual who, or an owner, partner, director (managing director), supervisor (managing supervisor), or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.

(10) Not a spouse or a relative within the second degree of kinship with any director.

(11) Not a person meeting any conditions defined in Article 30 of the Company Act.

(12) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

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

04/17/2020

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse/minor shareholding		Shareholding by nominees		Education and work experiences	Other positions concurrently held at the Company or other companies	Managerial officers who are spouses or within the second degree of kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Lori Hu	Female	2019.11.13	3,245,385	0.50	—	—	—	—	Education: Bachelor of Chinese, Fu Jen Catholic University Experience: Chairman of D-Link Charity Foundation	—	—	—	—	Note 1
CEO	Republic of China	John Lee	Male	2018.05.31	11,249,744	1.73	—	—	—	—	Education: Graduate Institute of Electrical Engineering, National Taiwan University Experience: Chairman of D-Link Corporation	Chairman & CEO of Alpha Networks Inc. Representative Director and Chairman of Yingtai Investment Co., Ltd. and D-Link Asia Investment Pte. Ltd. Representative Director of Alpha Holdings Inc. Representative Director of Alpha Networks Inc. (Hong Kong) Director and Vice Chairman, D-Link Corporation Chairman of Alpha Foundation Supervisor of Lanner Electronics Inc.	—	—	—	Note 2
President	Republic of China	Steve Lin	Male	2018.05.31	3,000	0	—	—	—	—	Department of Communications Engineering, National Chiao Tung University Experience: Independent Director of TrueLight Corporation	Chairman of Heli-Ocean Technology Co., Ltd. Independent Director, ChipSiP Technology Co., Ltd.	—	—	—	Note 2
Vice President	Republic of China	Evelyn Wang	Female	2016.07.19	200,000	0.03	—	—	—	—	Education: Department of Mathematics, Fu-Jen Catholic University Experience: Vice Chairman of Cameo Communications, Inc.	Representative Director of Alpha Holdings Inc. Representative Director of Cameo Communications, Inc.	—	—	—	—
Vice President	Republic of China	Raphaie Chen	Female	2009.10.23	1,959	0	—	—	—	—	Education: EMBA of National Chiao Tung University Experience: Senior Director of PSMD, Alpha Holdings Inc.; Engineer of Department of Systems, TYG Technology Co., Ltd.; Engineer of Department of Systems, Qiasheng Technology Co.	—	—	—	—	Note 2
Vice President	Republic of China	GK Lee	Male	2009.02.02	0	0.00	—	—	—	—	Education: PhD of Electrical Engineering of Purdue University, USA Experience: Vice President of Mobile Com BU, Wistron NeWeb Corporation; Vice President of Business Division of Powercom Technology Co., Ltd., Researcher of Group V, Computer & Communication Lab, Industrial Technology Research Institute	Representative Director : D-Link (Europe) Ltd. D-Link Holding Mauritius Ltd. D-Link Middle-East FZCO	—	—	—	—
Vice President	Republic of China	Quenton Miao	Male	2015.01.28	419	0	—	—	—	—	Education: Department of Electrical Engineering and Computer Science, University of California, Irvine, USA Work experiences: Special Assistant of CEO office of the Company, Senior Director of ODM Business Development Division, Associate Manager/Factory Manager, R&D Division in the US/Hsinchu Manufacturing Division	—	—	—	—	Note 2
Vice President	Republic of China	Kevin Chung	Male	2012.10.11	338,556	0.05	—	—	—	—	Education: Industrial Engineering, Tunghai University Experience: Senior Director of Product & Support Administration Center, Taiwan Branch	President: Taiwan Branch, D-Link Corporation	—	—	—	—
Vice President	Republic of China	ML Chien	Male	2012.02.08	—	0.00	—	—	—	—	Education: Master, Electrical Engineering, Syracuse University Experience: Senior Director of Ethernet and Information Security Products Division of the Company; Assistant Vice President of Marketing and R&D, Accton	Representative Director : D-Link (shanghai) Limited Corp. Wangzi Information Technology (Shanghai) Co., Ltd. TeamF1 Network Private Ltd.	—	—	—	
Assistant Vice President	Republic of China	Anderson Wu	Male	2014.04.01	205,763	0.03	—	—	—	—	Education: Ta Hwa Institute of Technology Experience: Senior Director of Product Design and Management Center of the Company	—	—	—	—	
Assistant Vice President	Republic of China	Ziva Wu	Female	2016.07.13	144,610	0.02	—	—	—	—	Education: Master of Computer Science, California State University, Sacramento Experience: Director of DCN BU System Development Division I, MediaTek Inc., Senior Director of LAN MAN R&D Center, Alpha Networks Inc., Technical Assistant Vice President of Software R&D Center, Accton	—	—	—	—	—
Assistant Vice President	Republic of China	Bright Shi	Male	2017.09.01	0	0	—	—	—	—	Education: Bachelor of Computer Engineering, National Chiao Tung University Experience: Digital Multimedia Software Director of Alpha Networks Inc.; Nanyang Software Engineer Manager; Conexant/USA System Software Software Engineer Manager	—	—	—	—	Note 2
Accounting Supervisor	Republic of China	Jane Yu	Female	2011.09.01	157,593	0.02	—	—	—	—	Education: The City University of New York, Baruch College (MBA-Finance) Experience: Senior Director of Accounting Department of the Company; Assistant Vice President of Audit Department, KPMG Taiwan	Note 3	—	—	—	

Note 1: Chairman Lori Hu served as the acting President on 11/13/2019.

Note 2: CEO Mr. John Lee resigned on 07/22/2019; Vice President Mr. Hua-Kun Miao was dismissed on 08/13/2019; President Mr. Steve Lin resigned on 09/30/2019; Vice President Ms. Raphaie Chen resigned on 10/15/2019; Assistant Vice President Mr. Bright Shi resigned on 12/07/2019.

Note 3: Representative Director and Chairman of Yeo-Mao Investment Ltd., Yoe-Tai Investment Ltd., D-Link (Shang-Hai) Co., Ltd., and Netpro Trading (Shang-hai) Co., Ltd.
Representative Director of Yeo-Chia Investment Ltd., D-Link Australia Pty Ltd., D-Link (Europe) Ltd., D-Link Holding Co. Ltd., D-Link Holding Mauritius Ltd., D-Link International Pte. Ltd., D-Link Latin -America Company Ltd., D-Link Middle-East FZCO, D-Link Shiang-Hai (Cayman) Inc., Success Stone Oversea Corp., D-Link Korea Ltd., and D-Link Russia Investment Ltd., and D-Link Service Lithuania.
Representative Supervisor of D-Link Japan K.K.
Legal representative of D-Link Sudamerica S.A., D-Link de Colombia S.A.S., D-Link Mexicana S.A. de C.V, D-Link Peru S.A., and D-Link Guatemala.

(III) Remuneration paid to Directors, President and Vice Presidents, General Directors, and Independent Directors

12/31/2019 ; Unit : NT$ Thousands

Title	Name	Remuneration to directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant remuneration received by directors who are also employees								Total remuneration (A+B+C+D+E+F+G) as a % of net income after tax		Remuneration from an invested company other than the Company's subsidiaries or parent company
		Remuneration (A)		Severance pay and pension (B)		Remuneration to directors (C)		Allowances (D)				Salaries, bonus and special expenses (E)		Pension (F)		Employee rewards (G)						
																The Company		All Companies in Financial Statements				
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	Cash	Stock	Cash	Stock	The Company	All Companies in Financial Statements	
Chairman	Gao Ju Investment Co., Ltd.	300	300	-	-	-	-	-	-	(0.06)	(0.06)	-	-	-	-	-	-	-	-	(0.059)	(0.059)	-
	Representative: Lori Hu	-	-	-	-	-	-	24	24	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.005)	(0.005)	-
Vice Chairman	John Lee	180	180	-	-	-	-	24	24	(0.04)	(0.04)	369	369	-	-	-	-	-	-	(0.113)	(0.113)	-
Director	Yun-Wei Investment Co., Ltd.	120	120	-	-	-	-	24	24	(0.03)	(0.03)	-	-	-	-	-	-	-	-	(0.028)	(0.028)	-
	Representative: Howard Kao	-	-	-	-	-	-	-	-	0	0	1,902	1,902	73	73	-	-	-	-	(0.389)	(0.389)	-
Director	Alpha Networks Inc.	120	120	-	-	-	-	-	-	(0.02)	(0.02)	-	-	-	-	-	-	-	-	(0.024)	(0.024)	-
	Representative: Yu-Chin Lin	-	-	-	-	-	-	24	24	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.005)	(0.005)	-
Director	Chien Chin Investment Co. Ltd.	120	120	-	-	-	-	-	-	(0.02)	(0.02)	-	-	-	-	-	-	-	-	(0.024)	(0.024)	-
	Representative: Gary Chien	-	-	-	-	-	-	24	24	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.005)	(0.005)	-
Director	Steve Lin	90	90	-	-	-	-	18	18	(0.02)	(0.02)	2,114	2,114	810	810	-	-	-	-	(0.453)	(0.453)	-
Independent Director	Shyang-Fong Chung	840	840	-	-	-	-	24	24	(0.17)	(0.17)	-	-	-	-	-	-	-	-	(0.170)	(0.170)	-
Independent Director	Fred Fong	840	840	-	-	-	-	24	24	(0.17)	(0.17)	-	-	-	-	-	-	-	-	(0.170)	(0.170)	-
Independent Director	Freda Chen	840	840	-	-	-	-	24	24	(0.17)	(0.17)	-	-	-	-	-	-	-	-	(0.170)	(0.170)	-

1. Please describe the policy, system, standard, and structure of the remuneration paid to the independent directors and describe the relevance between the remuneration amount paid and factors, such as their functions, risks, and time commitment.
   In order to improve the remuneration management system of the Directors and functional committee members and provide reasonable remuneration to the members of the Board for their participation in the Company's major decision-making and management, the Board of Directors is authorized to set the standards of payment in accordance with Article 24-1 of the Company's Articles of Incorporation and the remuneration standard in the industry regarding the Directors' salaries and driver 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 financial statements in the most recent year: None

Remuneration to the President and Vice Presidents

Unit: NT$ Thousands

Title	Name	Salary (A)		Pension (B)		Bonus and special fee (C)		Employee bonus (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from an invested company other than the Company's subsidiaries or parent company
								The Company		All Companies in Financial Statements(Note 5)				
		The Company	All Companies in Financial Statements (Note 5)	The Company	All Companies in Financial Statements (Note 5)	The Company	All Companies in Financial Statements (Note 5)	Cash	Stock	Cash	Stock	The Company	All Companies in Financial Statements	
CEO	John Lee Resigned on 07/22/2019	21,435	23,105	977	977	5,947	5,947	-	-	-	-	(5.58)	(5.91)	-
President	Steve Lin Resigned on 09/30/2019													
Senior Vice President	Evelyn Wang													
Vice President	Raphaie Chen Resigned on 10/15/2019													
Vice President	GK Lee													
Vice President	Quenton Miao Dismissed on 08/13/2019													
Vice President	Ray Chang Resigned on 03/06/2019													
Vice President	Kevin Chung													
Vice President	ML Chien													

*Regardless of job titles, positions that are equivalent to the president and vice president (such as general manager, chief executive director, and director) shall be disclosed.

Table of Remuneration Ranges for the President and Vice Presidents

Range of remuneration to the President and Vice Presidents	Name of the President and Vice Presidents	
	The Company	All Companies in Financial Statements
Less than NT$2,000,000	John Lee and Ray Chang	John Lee and Ray Chang
NT$2,000,000 (inclusive) to 5,000,000 (exclusive)	Steve Lin, Evelyn Wang, Raphaie Chen, GK Lee, Quenton Miao, and ML Chien	Steve Lin, Evelyn Wang, Raphaie Chen, GK Lee, and ML Chien
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Kevin Chung	Quenton Miao and Kevin Chung
NT$10 million (inclusive) to NT$15 million (exclusive)		
NT$15 million (inclusive) to NT$30 million (exclusive)	—	—
NT$30 million (inclusive) to NT$50 million (exclusive)	—	—
NT$50 million (inclusive) to NT$100 million (exclusive)	—	—
More than NT$100 million	—	—
Total	9 individuals	9 individuals

Top Five Managerial Officers with the Highest Remuneration (Note 1)

Unit : NT$ Thousands

Title	Name	Salary (A)		Pension (B)		Bonus and special fee (C)		Employee bonus (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from an invested company other than subsidiaries of the Company or the parent company
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company		All Companies in Financial Statements		The Company	All Companies in Financial Statements	
								Cash	Stock	Cash	Stock			
Vice President	Quenton Miao	3,584	5,253	237	237	349	349	0	0	0	0	(0.82)	(1.15)	0
Vice President	Kevin Chung	2,560	2,560	229	229	2,578	2,578	0	0	0	0	(1.06)	(1.06)	0
Vice President	GK Lee	3,313	3,313	108	108	1,045	1,045	0	0	0	0	(0.88)	(0.88)	0
Assistant Vice President	Ziva Wu	2,598	2,598	108	108	1,705	1,705	0	0	0	0	(0.87)	(0.87)	0
Senior Vice President	Evelyn Wang	3,356	3,356	108	108	945	945	0	0	0	0	(0.87)	(0.87)	0

Managerial Officers Who Distribute Remuneration to Employees and the Status:

04/17/2020 ; Unit : NT$ Thousands

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Managerial officer	CEO	John Lee Resigned on 07/22/2019	0	0	0	0
	President	Lori Hu Served as the acting President on 11/13/2019				
	President	Steve Lin Resigned on 09/30/2019				
	Senior Vice President	Evelyn Wang				
	Vice President	Raphaie Chen Resigned on 10/15/2019				
	Vice President	GK Lee				
	Vice President	Quenton Miao Dismissed on 08/13/2019				
	Vice President	Kevin Chung				
	Vice President	ML Chien				
	Assistant Vice President	Anderson Wu				
	Assistant Vice President	Robert Lin Retired on 03/01/2019				
	Assistant Vice President	Ziva Wu				
	Assistant Vice President	Bright Shi Resigned on 12/07/2019				
	Finance Supervisor	Ray Chang Resigned on 03/06/2019				
	Accounting Supervisor	Jane Yu				

Note: The employee remuneration for 2019 is a proposed amount to be distributed.

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

(1) Policy, standard, and package for payment of remuneration, as well as the procedure for determining remuneration, and its relevance to business performance and future risk exposure:

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

B. President and Vice Presidents: The remuneration to President and Vice Presidents is determined by the Remuneration Committee of the Company based on the management team's operating performance and target achievement rate, and the distribution principles are formulated with reference to the payment standards in the industry. This shall be executed after approval by the Board of Directors.

C. Future risks: The standard of the Company's remuneration payment is based on the Company's overall operations and performance, as well as the performance achievement rate of managerial officers and their contribution to the Company, which shall be determined after approval by the human resources unit and the dedicated managerial officer. The remuneration is divided into fixed salary and unfixed incentive pay and compensation to fully reflect individual and team performance.

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

Title	Ratio of total remuneration to net income after tax (%)			
	2019		2018	
	The Company (%)	Consolidated statements (%)	The Company (%)	Consolidated statements (%)
Director	(1.61)	(1.61)	10.85	10.85
President and Vice Presidents	(5.58)	(5.91)	41.66	44.20

Note: The Company has established the Audit Committee on 04/28/2017.

III. Implementation of Corporate Governance

(I) Board of Directors

A total of 4 meetings (A) were held by the Board of Directors in 2019. The attendance of Directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Gao Ju Investment Co., Ltd. Representative: Lori Hu	4	0	100	
Vice Chairman	John Lee	4	0	100	
Director	Alpha Networks Inc. Representative: Yu-Chin Lin	4	0	100	
Director	Yun-Wei Investment Co., Ltd. Representative: Howard Kao	3	1	75	
Director	Chien Chin Investment Co. Ltd. Representative: Gary Chien	4	0	100	
Director	Steve Lin	3	0	100	Resigned on 09/30/2019
Independent Director	Shyang-Fong Chung	4	0	100	
Independent Director	Fred Fong	4	0	100	
Independent Director	Freda Chen	4	0	100	

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 : None.
   (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 :
   Fred Fong and Shyang-Fong Chung were against the proposal for change of the time and place of the Company's 2020 General Shareholders' Meeting in Board of the Directors' meeting on 04/07/2020. The company handles with the resolutions of the Board of Directors and disclosed it 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 of meeting)	Proposal	Director recused	Reason for recusal	Voting results
2019/03/18 The 9th meeting of the 11th term	Remuneration standard for managerial officers and directors for 2019.	John Lee and Steve Lin	The Vice President and CEO as well as the President did not participate in voting due to conflicts of interest.	The chair brought the matter before all directors present at the meeting and the matter was approved.

III. Cycle and period, scope, method, and content of the Self-Evaluation of the Board of Directors : Self-Evaluation of the Board of Directors of the Company will implement in 2020 and be disclosed in 2021.

IV. Targets for strengthening the functions of the Board of Directors in the current year and the most recent year (such as establishing an audit committee and enhancing information transparency) and evaluation of such implementation : The Company has established the Audit Committee on 04/28/2017.

(II) Operations of the Audit Committee

(1) Audit Committee

The Audit Committee held 4 (A) meetings in 2019 and the attendance of the Directors is as follows :

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Independent Director	Shyang-Fong Chung	4	0	100	Convener
Independent Director	Fred Fong	4	0	100	
Independent Director	Freda Chen	4	0	100	

Other matters:

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

Meeting date (term of meeting)	Proposal	Opinions of all Independent Directors and the Company's handling of these opinions
03/18/2019 The 8th meeting of the 1st term	1. Approved the 2018 financial statements 2. Approved 2018 Internal Control System Statement	Approved by all Independent Directors.
05/08/2019 The 9th Meeting of the 1st term	1. Approved the release of directors of non-competition restriction for Directors. 2. Approved the proposal for 2019 CPA fee	
08/13/2019 The 10th meeting of the 1st term	Approved the Company's consolidated financial statements of 2019 Q2.	
11/11/2019 The 11th meeting of the 1st term	Approved the Company’s 2020 audit plan	

(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: None.

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

(I) The Company's internal audit supervisor regularly reports to the members of the Audit Committee on the performance of the Company's annual audit plan as well as improvement and tracking of internal control deficiencies. Meanwhile, the internal audit supervisor submits an audit report and deficiencies tracking report for the previous month before the end of each month. In the event of a major abnormal incident, the internal audit supervisor will immediately report to the members of the Audit Committee. There was no such special situation in 2019, and the communication between the Company's Audit Committee and the internal audit supervisor is in good condition.

(II) The Company's CPAs report the audit or review results of the quarterly financial statement or and other matters required by law at the quarterly Audit Committee meeting. In the event of a special circumstance, the CPAs will also report to the Audit Committee members immediately. There was no such special situation in 2019, and the communication between the Company's Audit Committee and the CPAs is in good condition.

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

(1) Communication between Independent Directors and CPAs:

Date/session of meeting	**Communication focus**
03/08/2019 8th meeting of the 1st Audit Committee	CPAs' reports on 2018 individual and consolidated financial statements
05/08/2019 9th meeting of the 1st Audit Committee	CPAs' reports on 2019 Q1 consolidated financial statements
08/13/2019 10th meeting of the 1st Audit Committee	CPAs' reports on 2019 Q2 consolidated financial statements
11/11/2019 11th meeting of the 1st Audit Committee	CPAs' reports on 2019 Q3 consolidated financial statements
03/18/2020 12th meeting of the 1st Audit Committee	CPAs' reports on 2019 individual and consolidated financial statements

(2) Communication between Independent Directors and the internal audit supervisor:

Date/session of meeting	**Communication focus**
03/08/2019 8th meeting of the 1st Audit Committee 03/08/2019 11th meeting of the 11th Board of Directors	Report on the implementation of the 2018 Q4 audit plan. 2018 Internal Control System Statement.
05/08/2019 9th meeting of the 1st Audit Committee 05/08/2019 12th meeting of the 11th Board of Directors	Report on the implementation of the 2019 Q1 audit plan.
08/13/2019 10th meeting of the 1st Audit Committee 08/13/2019 13th meeting of the 11th Board of Directors	Report on the implementation of the 2019 Q2 audit plan.
11/11/2019 11th meeting of the 1st Audit Committee 11/13/2019 14th meeting of the 11th Board of Directors	Report on the implementation of the 2019 Q3 audit plan. 2020 annual audit plan.
03/16/2020 12th meeting of the 1st Audit Committee 03/18/2020 15th meeting of the 11th Board of Directors	Report on the implementation of the 2019 Q4 audit plan. The 2019 Internal Control System Statement.

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

Item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
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 established and disclosed its corporate governance best practice principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.	No material deviation.
II. Shareholding structure & shareholders’ rights (I) Has the Company established internal operating procedures to deal with shareholders’ suggestions, doubts, disputes, and litigations, and does the Company implement the procedures in accordance with the procedure? (II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies? (IV) Has the Company established internal rules against insiders using undisclosed information to trade securities?	✓ ✓ ✓ ✓		(I) The Company has 1. spokesperson, 2. shareholder service unit, 3. company website, 4. investor conference, and 5. shareholder service agency, to deal with shareholders' suggestions or disputes. (II) The Company’s shareholder services unit shall keep abreast of changes in the shareholdings of major shareholders and declare the changes in the shareholdings of internal shareholders on a monthly basis in accordance with the laws. (III) The Company and its affiliated companies operate independently and have established the Company’s related party transaction management measures. (IV) The Company has formulated regulations governing insider trading in accordance with the Regulations Governing Establishment of	No material deviation.

Item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			Internal Control Systems by Public Companies and Article 157-1 of the Securities and Exchange Act.	
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board of Directors developed, and does it implement, a diversity policy for the composition of its members?	✓		(I) The members of the Company's Board of Directors are from different professional backgrounds and professional fields so as to enhance the structure of the Board of the Company.	No material deviation.
(II) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	✓		(II) The Company has established a Remuneration Committee and an Audit Committee.	No material deviation.
(III) Has the Company formulated regulations for evaluating the performance of the Board of Directors and the method thereof, conducted performance evaluation on an annual basis, and submitted the evaluation results to the Board of Directors as a reference for the remuneration of individual Directors and the nomination for re-appointment?		✓	(III) The Company has not yet established any regulations on evaluating the results of Board of Directors and the method thereof.	It is proposed to establish relevant regulations in 2020.
(IV) Has the Company regularly implemented assessments on the independence of CPAs?	✓		(IV) The Company has been audited and certified by KPMG, and the Board has assessed the independence of the CPAs regularly.	No material deviation.
IV. Has the public company been staffed with an	✓		The Company has a dedicated unit in charge of	No material deviation.

Item		Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
		Yes	No	Description	
	appropriate number of qualified corporate governance personnel and designated a corporate governance officer, responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for the execution of business, assisting directors and supervisors in legal compliance, handling matters related to the Board meetings and the shareholders' meeting in accordance with the laws, and producing the minutes of the Board meetings and shareholders' meetings)?			implementing corporate governance-related matters, matters related to the Board meetings and the shareholders' meetings, preparing minutes of the Board meetings and the general shareholders' meeting, reviewing and amending the Company's corporate governance code and relevant regulations on a regular basis, providing the Board of Directors with information necessary to execute its business, and arranging continuing education for Directors regularly. The Company will engage a corporate governance officer in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.	
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, clients, and suppliers), as well as respond appropriately to all the issues of concern in terms of corporate social responsibilities?	✓		The Company has set up a section on the Company's website dedicated to stakeholders, where any questions and suggestions can be communicated with the Company through the channels, and the Company will handle it and respond directly as soon as possible.	No material deviation.
VI.	Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has commissioned the Transfer Agency of CTBC Bank to handle affairs relevant to the shareholders' meeting.	No material deviation.
VII.	Information disclosure (I) Has the Company established a website to disclose information on financial	✓		(I) The Company has set up a website dedicated to investors (http://ir.dlink.com.tw) to disclose	No material deviation.

Item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
operations and corporate governance?			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.	
(II) Does the Company have other information disclosure channels (such as setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?	✓		(II) 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.	
(III) Does the Company publish and declare its annual financial report within two months after the end of a fiscal year, and publish and declare its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	✓		(III) The Company publishes and declares its annual financial report within two months after the end of a fiscal year while publishing and declaring its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.	
VIII. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier	✓		The Company discloses the material information on its website, the investor relations website, and MOPS at any time, to assists all shareholders in better understanding the Company's operating strategies and governance operations through the transparent	No material deviation.

Item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?			system.	
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. In the future, the Company will continue its efforts to continuously implement corporate governance, optimize the content of the Company's website, disclose the communication between independent directors, the internal audit supervisor, and CPAs on the Company's website; the Company will establish Board performance evaluation procedures and method to enhance competitiveness through effective operations of the Board in 2020.				

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

(1) Information of the members of Remuneration Committee

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

Note 1: For category of identity, please identify whether the person is a Director, Independent Director, or other.

Note 2: For any committee member who fulfills the relevant condition(s) for two fiscal years before being appointed or during the term of duty, please check in the field next to the corresponding conditions.

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

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

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top ten in terms of the total quantity of

shares held, including the shares held in the name of the person’s spouse, minor children, or in the name of others.

(4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the Company's total issued shares, who are among the top five shareholders, or who designate its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(6) Not a director, supervisor, or employee of another company or institution whose majority of director seats or voting rights are held by the same person (however, if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company are the same person or are spouses (however, if the person is an independent director who serves concurrently in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(8) Not a director (managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (however, if the specific company or institution holds more than 20% and no more than 50% of the total issued shares of the Company and if the person is an independent director who concurrently serves in the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(9) Not a professional individual who, or an owner, partner, director (managing director), supervisor (managing supervisor), or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.

(10) Not a person meeting any conditions defined in Article 30 of the Company Act.

(2) Duties of Remuneration Committee

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

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

(3) Operations of Remuneration Committee

1. The Remuneration Committee is composed of five members.
2. Term of office of the third Committee: From 05/10/2017 to 04/27/2020, the Remuneration Committee held 2 meetings (A) in the most recent year on 03/18/2019 and 11/11/2019, respectively. The qualifications and attendance of the members are as follows:

Title	Name	Attendance in person (B)	By proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Fred Fong	2	0	100	
Member	Shyang-Fong Chung	2	0	100	
Member	Freda Chen	1	0	100	Appointed on 05/08/2019
Member	Chien Yang	2	0	100	
Member	Shu-Fen Wang	2	0	100	

Other matters:

I. If the Board of Directors does not adopt or amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason): None.

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

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

Remuneration Committee Date and Session	Proposal	Resolution	Company's response regarding the Audit Committee's opinions
03/18/2019 5th meeting of the 3rd term	1. Proposal for bonus change of the chairperson and managerial officers of the Company in 2018. 2. Proposal for remuneration standards for managerial officers and Directors of the Company for 2019. 3. Proposal for 2018 employees' and Directors' remuneration distribution	The chair consulted all members of the Committee present, and they voted in favor of the resolution.	None
11/11/2019 6th meeting of the 3rd term	Discussed the amendments of the Remuneration Committee Charter.	Relevant laws and regulations were provided to the members of the Remuneration Committee after the meeting for their reference and suggestions would be made accordingly for the next Remuneration Committee meeting.	None

(V) Implementation of corporate social responsibility, deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

Evaluation item	Implementation status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies based on the principle of materiality?	✓		The corporate social responsibility task force compiles corporate social responsibility reports which are uploaded to MOPS on a regular basis. The task force is responsible for putting forward and implementing corporate social responsibility policies, systems, or relevant management policies and specific implementation plans.	No material deviation.
II. Does the Company establish a dedicated (or part-time) unit for promoting corporate social responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		Since 2008, the Board of Directors has established a corporate social responsibility task force, which is a part-time unit. The unit is composed of the heads of different departments, ranging from shareholder service, marketing, finance, research and development, procurement, business, legal affairs to human resources. The task force holds regular management review meetings and is responsible for putting forward and implementing corporate social responsibility policies, systems, or relevant management policies and specific implementation plans, while reporting to the Board of Directors.	No material deviation.
III. Environmental issues (I) Has the Company, based on the nature of its industry, established a suitable Environment Management System (EMS)? (II) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact? (III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken relevant countermeasures? (IV) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	✓ ✓ ✓ ✓		(I) The Company has obtained SGS ISO 9001: 2015 and ISO 14001: 2015 certification, in order to reduce environmental impact, implement environmental management, reduce influence on the environmental, fulfill environment, fulfill environmental protection responsibilities and popularize environmental awareness as the environmental sustainability management policy, while striving to reduce the environmental footprint caused by the operation. (II) The Company has created the D-Link Green Program to reduce our carbon footprint, and gradually use more eco-friendly materials to create safer products and production processes, to effectively reduce the impact on the environment. (III) The Company has been paying attention to climate change trends for a long time and has continued to implement measures, including energy management in major operating bases, energy efficiency improvement, as well as implementation of low-carbon procurement and low-carbon transportation programs, to reduce risks caused by climate change. (IV) With quantitative disclosure of environmental information input, output and long-term information records, the Company discloses relevant information in the corporate social responsibility report and formulates future specific energy conservation plans to the goal of reducing energy consumption.	No material deviation.

Evaluation item	Implementation status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
IV. Social issues				No material deviation.
(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company and its subsidiaries comply with the relevant local laws and regulations of each operating location, and abide by the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work, as the ultimate guiding principles of our global employee rights.	
(II) Has the Company established and offered proper employee benefits (including remuneration, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	✓		(II) The Company provides employees with reasonable salaries and benefits, and it is clearly stated in the Company's Articles of Incorporation that if there is a profit for the current year, the employees shall be distributed with 1% to 15% of the profit of the current year.	
(III) Has the Company provided employees with safe and healthy work environment as well as conducted regular classes on health and safety?	✓		(III) The Company provides employees with a comfortable office and work environment, and spares no effort to improve the work environment. By strictly abiding by occupational safety regulations and high standards of safe working conditions, the Company has raised the standards to enhance overall occupational safety performance.	
(IV) Has the Company established effective career and competence development and training programs?	✓		(IV) The Company relies on long-term talent adaptive learning and development for its sustainable operation. The Company plans and arranges on-the-job training and in-house training courses for its employees at different work stages according to their different specialities, while arranging relevant training courses at external professional institutions for employees based on their job requirements and professional skills of each unit, so that their professional skills and other functions can continue to develop.	
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established relevant consumer protection policies and grievance procedures?	✓		(V) The Company’s design and R&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 formulates relevant procedures to protect stakeholders' interests.	
(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights and supervised their compliance?	✓		(VI) The Company's requirements for suppliers' integrity and honesty have been included in the contracts between the parties, and the Company may immediately cancel or terminate the contract if any supplier has engaged in any illegal conduct.	
V. Does the Company, following internationally recognized guidelines, prepare and publish reports, such as its Corporate Social Responsibility report, to disclose its non-financial information? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?	✓		The Company’s CSR report is prepared in accordance with the new GRI Standards issued by the Global Reporting Initiative. In the future, the Company plans to invite a third-party verification institution to verify the report.	No material deviation.
VI. If the Company has established the corporate social responsibility best practice principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the Principles and their implementation: The Company has implemented the internal control system and relevant supervision measures in accordance with the spirit of the Corporate Social Responsibility Best Practice Principles. No discrepancy is found.				
VII. Other important information to facilitate a better understanding of the Company's Corporate Social Responsibility practices: Please refer to the "Corporate Social Responsibility Section" of the Company's official website (http://www.dlinktw.com.tw/about/dlink/).				

(VI) Implementation of ethical corporate management and deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

Item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies? (II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and reviewed the prevention programs on a regular basis?	✓ ✓ ✓		(I) The Company has established the Ethical Corporate Management Best Practice Principles (in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies) and the Code of Conduct, which are applicable to the Company, its subsidiaries, business group, and organizations. The Company complies with the laws and ethics while investigating compliance and keeping records accordingly. (II) The Company has established the Code of Conduct for employees and various rewards and disciplinary actions and formulated the "Management Procedures for Giving and Accepting Gifts," which clearly states that the behavior of individuals and collectives, bribery, provision of unreasonable gifts, and hospitality or other improper benefits shall be prohibited, as well as relevant response and handling measures for all employees to follow. (III) The Company specified regulations on conflicts of interest, confidentiality of client information, and business gifts in the Management Measures for the Ethical Corporate Management Best Practice Principles and the Management Measures for the Code of Conduct	No material deviation.
II. Fulfillment of ethical corporate management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties? (II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company established policies to prevent conflicts of interest, provided appropriate communication channels, and implemented them accordingly? (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devised relevant audit plans and audited the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Does the Company regularly hold internal and external educational training on ethical corporate management?	✓ ✓ ✓ ✓ ✓		(I) All commercial activities of the Company are subject to supplier qualification review to filter out unqualified suppliers. (II) The Company's Human Resources Department assists in promoting the Company's principles of ethical corporate management, and the Board of Directors supervises the implementation of the principles of ethical corporate management through regular audits by the Auditing Office. (III) The Company has formulated the Ethical Corporate Management Best Practice Principles, Code of Conduct for Employees, Management Procedures for Giving and Accepting Gifts, and the Work Rules for Employees. (IV) The Company has established an accounting system and an internal control system. The internal audit unit formulates audit plans based on the results of risk assessment, performs audits on a regular basis, and performs project audits as required, while reporting the audit results to the Audit Committee and the Board of Directors. (V) The Company has worked to raise employees' awareness to ensure that every employee understands the Company's conventions and rules for integrity, and holds new employee orientation when new employees are onboard and organize internal education and training related to ethical management issues to explain the importance of ethical management.	No material deviation.

Item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
III. Status of enforcing whistle-blowing systems in the Company (I) Has the Company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party? (II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms? (III) Does the Company provide protection to whistleblowers against receiving improper treatment?	✓ ✓ ✓		(I) The Company has established an independent whistle-blowing channel and a grievance handling mechanism, reporting investigation standards, and a confidentiality mechanism, and the systems are working well. (II) The Company has established a disciplinary committee to implement relevant matters, which include the reporting of illegal acts, acceptance, collection of evidence, investigation, and handling. (III) The Company accepts both anonymous and non-anonymous reporting, while ensuring the confidentiality of the reported content and identity of any whistleblower.	No material deviation.
IV. Enhanced disclosure of corporate social responsibility information Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		A stakeholder section has been set up on the Company's website to disclose information regarding ethical corporate management and enhance the stakeholders' understanding of the Company.	No material deviation.
V. If the Company has established the ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the Principles and their implementation: The company has the Ethical Corporate Management Best Practice Principles, the Code of Conduct for Employees, and Work Rules for Employee in place.				
VI. Other important information that helps to understand the Company's ethical corporate management and operation (such as the Company's review and revision of its ethical corporate management best practice principles): The Company promotes its Ethical Corporate Management Best Practice Principles to suppliers at regular supplier meetings.				

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

(1) The Company's website: http://ir.dlink.com.tw.
(2) MOPS: http://newmops.twse.com.tw.

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

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

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

(1) Statement on Internal Control System

D-Link Corporation

Internal Control System Statement

03/18/2020

According to the results of the Company's self-assessment, the Company's statement pertaining to the internal control system in 2019 is as follows:

I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.

III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.

IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.

V. Based on the aforementioned audit findings, the Company holds that as of December 31, 2019, 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 March 18, 2020, with none of the eight attending Directors expressing objectives; all Directors affirmed the content of this Statement.

D-Link Corporation

Gao Ju Investment Co., Ltd. Signature

Chairman: Lori Hu Signature

President: Lori Hu Signature

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

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

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

(1) Resolutions voted on by all shareholders present at the Company's general shareholders' meeting, and implementation thereof:
Date: 06/21/2019
Place: 2F., No. 399, Ruiguang Rd., Neihu Dist., Taipei City (Liberty Square Convention Center—International Conference Hall)

Major resolutions	Status of implementation
1. Approved the 2018 Business Report and Financial Statements. 2. Proposal for 2018 profit and loss allocation 3. Proposal for cash distribution from legal capital reserve and capital surplus. 4. Proposal for amendment to the Articles of Incorporation 5. Proposal for amendment to the Handling Procedures for Acquisition or Disposal of Assets 6. Proposal for adding provisions to the Procedures for Derivatives Trading. 7. Proposal for amendment to the Procedures for Loaning of Funds to Others. 8. Proposal for amendment to the Procedures for Making of Endorsements/Guarantees. 9. Removal of the non-compete clause for Directors of the Company.	1. Resolution was passed. 2. No dividend was distributed in 2018. 3. Resolution was passed and the implementation was completed according to the resolution adopted at the shareholders’ meeting. 4. Resolution was passed. 5. Resolution was passed. 6. Resolution was passed. 7. Resolution was passed. 8. Resolution was passed. 9. Resolution was passed.

(2) Major resolutions of the Board of Directors meetings in 2018 and 2019:

Type of meeting	Date of meeting	Major resolutions
Board of Directors	03/18/2019	1. Approved the proposal for the distribution of bonuses to employees Directors for 2018. 2. Approved the 2018 Business Report and Financial Statements. 3. Approved the proposal for 2018 profit and loss allocation. 4. Approved the proposal for cash distribution from legal capital reserve and capital surplus. 5. Approved amendment to the Articles of Incorporation. 6. Approved the Proposal for amendment to the Handling Procedures for Acquisition or Disposal of Assets. 7. Approved the proposal for adding provisions to the Procedures for Derivatives Trading. 8. Approved the proposal for amendment to the Procedures for Loaning of Funds to Others. 9. Approved the proposal for amendment to the Procedures for Making of Endorsements/Guarantees. 10. Approved the proposal for the 2018 Internal Control System

Type of meeting	Date of meeting	Major resolutions
		Statement. 11. Approved the 2019 Business Plan and Budget Proposal. 12. Approved matters related to the convening of the 2019 General Shareholders' Meeting. 13. Approved the proposal for application for renewal of a short-term credit line to Taipei Fubon Commercial Bank. 14. Approved the proposal for application for renewal of a credit line to Mega International Commercial Bank. 15. Approved the proposal for the implementation of the change of 2018 incentive pay to the Chairman and managerial officers. 16. Approved the proposal for the 2018 remuneration standards for managerial officers and Directors.
Board of Directors	05/08/2019	1. Approved the removal of the non-compete clause for Directors of the Company. 2. Approved the proposal for the Company's CPA fees for 2019. 3. Approved the proposal for amendment to the Board of Director Meeting Procedure. 4. Approved the proposal for amendment to the Corporate Governance Best Practice Principles 5. Approved the proposal for appointment of members of the Remuneration Committee. 6. Approved the proposal for application for renewal of a credit line to DBS Bank (Taiwan)
Board of Directors	08/13/2019	1. Approved the proposal for amendment to the Audit Committee Charter. 2. Approved the proposal for application for renewal of a comprehensive credit line to HSBC Bank (Taiwan). 3. Approved the proposal for application for renewal of a comprehensive credit line to BNP Paribas.
Board of Directors	11/13/2019	1. Approved the Company's 2019 annual audit plan. 2. Approved the proposal for application for renewal of a credit line to Far Eastern International Bank. 3. Approved the proposal for amendment to the Statement of Delegation of Authority of the Company. 4. Approved the proposal for application for renewal of a credit line to Far Eastern International Bank. 5. Approved the proposal for application for renewal of a credit line to Bank of Taiwan.
Board of Directors	03/18/2020	1. Approved the 2019 Business Report and Financial Statements 2. Approved the proposal for 2019 profit and loss allocation. 3. Approved the proposal for amendment to the Articles of Incorporation. 4. Approved the proposal for amendment to the Board of Director Meeting Procedure. 5. Approved the proposal for amendment to the Audit Committee Rules. 6. Approved the proposal for amendment to the Personal Data

Type of meeting	Date of meeting	Major resolutions
		Security Maintenance and Management Measures 7. Approved the proposal for the 2019 Internal Control System Statement. 8. Approved the 2019 Business Plan and Budget Proposal. 9. Approved matters related to the convening of the 2020 General Shareholders' Meeting of the Company. 10. Approved the proposal for Director re-election. 11. Approved matters related to the candidate nomination for Directors (including Independent Directors). 12. Approved the list of candidates nominated by the Board for Directors (including independent directors). 13. Approved the removal of the non-compete clause for Directors of the Company. 14. Approved the proposal for appointment of the head of internal audit 15. Approved the proposal for formulation of the Rules Governing the Scope of Powers of Independent Directors. 16. Approved the proposal for amendment to the Company's Financial Report Preparation Process Management Measures.
Board of Directors	04/07/2020	1. The proposal for change of the time and place of the Company's 2020 General Shareholders' Meeting was not passed by the Board of the Directors. 2. The Board of the Directors resolved that the proposal for amendment to the Articles of Incorporation be revoked.

(XII) 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: None

(XIII) Resignation or Dismissal of Chairman, President, accounting supervisor, financial supervisor, internal audit supervisor, and R&D supervisor

Title	Name	Appointment Date	Date of Resignation or Dismissal	Reasons for resignation or dismissal
Vice President	Robert Lin	06/01/1990	03/01/2019	Retired
Vice President	Ray Chang	08/07/2017	03/06/2019	Resignation
CEO	John Lee	05/31/2018	07/22/2019	Resigned
Vice President	Quenton Miao	01/28/2015	08/13/2019	Dismissed
President	Steve Lin	05/31/2018	09/30/2019	Resigned
Vice President	Raphaie Chen	10/23/2009	10/15/2019	Resigned
Assistant Vice President	Bright Shi	09/01/2017	12/07/2019	Resigned
Internal Audit Supervisor	Turbo Koong	05/27/2002	12/10/2019	Retired

IV. Certified Public Accountant Professional Fees

(I) CPA professional fees in the most recent year

CPA firm	Name of CPAs		Audit period	Remarks
KPMG Taiwan	Pao-Lien Chou	Chiu-Hua Hsieh	01/01/2019-12/31/2019	

Unit: NT$ Thousands

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

CPA Firm	Name of CPAs	Audit fee	Non-audit fee					Audit period	Note
			System Design	Business Registration	Human Resources	Other	Sub-total		
KPMG Taiwan	Pao-Lien Chou Chiu-Hua Hsieh	6,190	0	0	0	865	865	01/01/2019 - 12/31/2019	Transfer pricing report and auditing and attestation of the business tax direct deduction method.

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

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

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

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

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

Title	Name	2019		up to 04/17/2020	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Chairman	Gao Ju Investment Co., Ltd. Representative: Lori Hu	204,000	0	5,445,000	0
Vice Chairman	John Lee	0	0	0	0
Director	Alpha Networks Inc. Representative: Wen-Peng Lin	0	0	0	0
Director	Yun-Wei Investment Co., Ltd. Representative: Howard Kao	0	0	0	0
Director	Chien Chin Investment Co. Ltd. Representative: Gary Chien	0	0	0	0
Director and President	Steve Lin (Resigned on 09/30/2019)	0	0	0	0
Independent Director	Shyang-Fong Chung	0	0	0	0
Independent Director	Fred Fong	0	0	0	0
Independent Director	Freda Chen	0	0	0	0
Acting President	Lori Hu	1,913,000	0	3,240,000 (7,230,000)	0
Vice President	GK Lee	0	0	(16,000)	0
Vice President	Raphaie Chen (Resigned on 10/15/2019)	0 (30,000)	0	0	0
Vice President	Quenton Miao (Dismissed on 08/13/2019)	(331,000)	0	0	0
Vice President	Evelyn Wang	0	0	0	0
Vice President	Kevin Chung	0	0	0	0
Assistant Vice President	Chi-Chou Lin (Retired on 03/01/2019)	0	0	0	0
Assistant Vice President	ML Chien	0	0	0	0
Assistant Vice President	Anderson Wu	0	0	0 (9,000)	0
Assistant Vice President	Ziva Wu	0 (155,000)	0	3,000 (18,000)	0
Assistant Vice President	Bright Shih (Resigned on 12/07/2019)	(169,000)	0	0	0
Finance Vice President	Ray Chang (Resigned on 03/06/2019)	0	0	0	0
Accounting Supervisor	Jane Yu	0	0	0	0

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

(I) Stock transfer with related party:

Name	Reason for Transfer	Transaction Date	Trading Counterparts	Relation between the trading counterparts and the Company, Directors, managerial officers, and shareholders holding 10% or more of shares	Shares	Transaction Price
Lori Hu	Disposal	02/05/2020	Puju Investment Co., Ltd.	Owner	1,063,000	13.7
Lori Hu	Disposal	02/05/2020	Puju Investment Co., Ltd.	Owner	6,167,000	13.0

(II) Stock Pledged with related party: None

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

04/17/2020

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.	33,669,000	5.16	—	—	—	—	—	—	—
Gao Ju Investment Co., Ltd. Representative: Fong-Yun Tsou	22,013,000	3.38	—	—	—	—	Chia Hwa Investment Corporation	Representative	—
Jerry Investments Ltd., Taiwan Branch Representative: Kuo- Wen Lin	18,404,900	2.82	—	—	—	—	—	—	—
Chia Hwa Investment Corporation Representative: Fong-Yun Tsou	17,520,000	2.69	—	—	—	—	Gao Ju Investment Co., Ltd.	Representative	—
Puju Investment Co., Ltd. Representative: Lori Hu	12,489,000	1.92	—	—	—	—	—	—	—
John Lee	11,249,744	1.73	—	—	—	—	Alpha Networks Inc.	Representative	—
Alpha Networks Inc. Representative: John Lee	10,554,048	1.62	—	—	—	—	John Lee	Representative of Alpha Networks Inc.	—
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,158,679	1.56	—	—	—	—	—	—	—
iShares IV PLC	9,915,000	1.52	—	—	—	—	—	—	—
Li-Chun Tso	8,000,975	1.23	—	—	—	—	—	—	—

X. Consolidated Shareholding Ratio of Investees

12/31/2019; Note 1: Refers to company limited

Investees	Investment by the Company		Investments directly or indirectly controlled by directors, supervisors, and managers of the Company		Total investments	
	Shares	%	Shares	%	Shares	%
D-Link Canada Inc.	8,736,000	100.00	—	—	8,736,000	100.00
D-Link Systems, Inc.	47,295,007	98.44	750,000	1.56	48,045,007	100.00
D-Link Holding Company Ltd.	68,062,500	100.00	—	—	68,062,500	100.00
D-Link (Europe) Ltd.	—	—	34,455,055	100.00	34,455,055	100.00
D-Link AB	—	—	15,500	100.00	15,500	100.00
D-Link (Magyarorszag) Kft	—	—	300	100.00	300	100.00
D-Link France SARL	—	—	114,560	100.00	114,560	100.00
D-Link Polska Sp. Z.o.o.	—	—	100	100.00	100	100.00
D-Link Iberia SL	—	—	50,000	100.00	50,000	100.00
D-Link s.r.o.	—	—	100	100.00	100	100.00
D-Link (Netherlands) BV	—	—	50,000	100.00	50,000	100.00
D-Link Mediterraneo SRL	—	—	50,000	100.00	50,000	100.00
D-Link (Deutschland) GmbH	—	—	Note 1	100.00	Note 1	100.00
D-Link (Holdings) Ltd.	—	—	3	100.00	3	100.00
D-Link (UK) Ltd.	—	—	300,100	100.00	300,100	100.00
D-Link Adria d.o.o	—	—	Note 1	100.00	Note 1	100.00
OOO D-Link Russia	—	—	Note 1	100.00	Note 1	100.00
Wishfi Pte. Ltd.	—	—	1,000,000	100.00	1,000,000	100.00
Success Stone Overseas Corp.	—	—	9,822	100.00	9,822	100.00
D-Link Holding Mauritius, Inc.	—	—	200,000	100.00	200,000	100.00
D-Link (India) Ltd.	—	—	18,114,663	51.02	18,114,663	51.02
TeamF1 Networks Private Ltd.	—	—	10,500	51.02	10,500	51.02
D-Link Shiang-Hai (Cayman) Inc.	—	—	50,000	100.00	50,000	100.00
D-Link (Shiang-Hai) Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00
Netpro Trading (Shang-hai) Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00
D-Link International Pte. Ltd.	66,074,660	99.36	425,340	0.64	66,500,000	100.00
D-Link Korea Limited	—	—	330,901	100.00	330,901	100.00
D-Link Trade M	—	—	Note 1	100.00	Note 1	100.00
D-Link Russia Investment Co. Ltd.	—	—	25,000,000	100.00	25,000,000	100.00
D-Link Malaysia Sdn Bhd	—	—	800,000	100.00	800,000	100.00
D-Link Service Lithuania, UAB	—	—	1,000	100.00	1,000	100.00
D-Link Sudamerica S.A.	199,999	100.00	1	—	200,000	100.00
D-Link Mexicana S.A de C.V	152,066	100.00	3	—	152,069	100.00
D-Link Japan K.K.	9,500	100.00	—	—	9,500	100.00
D-Link Australia Pty Ltd.	999,000	99.90	1,000	0.10	1,000,000	100.00
D-Link Middle East FZCO	5	83.33	1	16.67	6	100.00
D Link Network	—	—	—	100.00	—	100.00
D-Link Brazil LTDA.	2,964,836,727	100.00	100	—	2,964,836,827	100.00
D-Link Investment Pte. Ltd.	2,200,000	100.00	—	—	2,200,000	100.00
OOO D-Link Trade	—	—	Note 1	100.00	Note 1	100.00
D-Link Latin-America Company Ltd.	41,000	100.00	—	—	41,000	100.00
D-Link del Ecuador S.A.	—	—	800	100.00	800	100.00
D-Link Peru S.A.	—	—	3,500	100.00	3,500	100.00
D-Link de Colombia S.A.S.	—	—	1,443,605	100.00	1,443,605	100.00
D-Link Guatemala S.A.	—	—	99,000	99.00	99,000	99.00
D-Link Argentina S.A.	—	—	100	100.00	100	100.00
Yeo-Chia Investment Ltd.	Note 1	100.00	—	—	Note 1	100.00
Yeo-Mao Investment Ltd.	10,220,271	100.00	—	—	10,220,271	100.00
Yeo-Tai Investment Ltd.	14,600,000	100.00	—	—	14,600,000	100.00
Alpha Networks Inc.	104,480,022	19.26	6,372,276	1.17	110,852,298	20.43
Xtramus Technologies Co. Ltd.	—	—	1,832,446	41.18	1,832,446	41.18
MiiiCasa Holding (Cayman) Inc.	—	—	21,000,000	28.98	21,000,000	28.98

Chapter 4 Capital and Shares

I. Capital and Shares

(I) Capitalization

Unit: Thousand shares; NT$ Thousand; 04/17/2020

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

Share type	Authorized capital			Remarks
	Issued shares	Unissued shares	Total	
Registered common shares	651,996	228,004	880,000	Shares of Listed Company

(II) Information of shelf registration: N/A

(III) Shareholder Structure

04/17/2020

Shareholder structure / QTY	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Natural Persons and Investment Agencies in China	Total
Number of shareholders	3	3	187	197	68,693	-	69,083
Shareholding	192	21,032	145,096,073	92,971,935	413,906,934	-	651,996,166
%	0.00	0.00	22.25	14.26	63.49	-	100.00

(IV) Shareholding distribution status

04/17/2020

Shareholding range	Number of shareholders	Shareholding (shares)	Percentage (%)
1-999	31,218	4,621,346	0.71
1,000-5,000	24,702	55,300,494	8.48
5,001-10,000	6,253	46,519,243	7.13
10,001-15,000	2,467	29,429,537	4.51
15,001-20,000	1,186	21,626,866	3.32
20,001-30,000	1,193	29,449,745	4.52
30,001-40,000	584	20,534,547	3.15
40,001-50,000	358	16,470,893	2.53
50,001-100,000	630	44,029,641	6.75
100,001-200,000	245	33,911,339	5.20
200,001-400,000	125	34,564,566	5.30
400,001-600,000	45	22,326,729	3.42
600,001-800,000	16	11,717,213	1.80
800,001-1,000,000	13	11,148,636	1.71
1,000,001 or more	48	270,345,371	41.47
Total	69,083	651,996,166	100.00

(V) List of major shareholders

04/17/2020

Shareholding / Shareholder's name	Shareholding (shares)	Percentage (%)
Sapido Technology Inc.	33,669,000	5.16
Gao Ju Investment Co., Ltd.	22,013,000	3.38
Jerry Investments Ltd., Taiwan Branch	18,404,900	2.82
Chia Hwa Investment Corporation	17,520,000	2.69
Puju Investment Co., Ltd.	12,489,000	1.92
John Lee	11,249,744	1.73
Alpha Networks Inc.	10,554,048	1.62
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,158,679	1.56
iShares IV PLC	9,915,000	1.52
Li-Chun Tso	8,000,975	1.23

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

Unit: NT$; thousand shares; %

Item \ Year			2018	2019
Market price per share	Highest		16.00	15.45
	Lowest		9.50	11.20
	Average		11.94	12.67
Net worth per share	Before distribution		14.14	13.00
	After distribution		13.94	(Note)
Earnings per share	Weighted average shares		650,679,755	651,996,166
	Earnings per share	Before adjustment	0.16	(0.78)
		After adjustment	0.16	—
Dividends per share	Cash dividends		0.20	—
	Free allotment	Dividends from retained	—	—
		Dividends from capital surplus	—	—
	Cumulative unpaid dividends		—	—
Return on investment	Price/earnings ratio		74.63	(16.24)
	Price/dividend ratio		59.70	—
	Cash dividend yield (%)		1.68	—

Note: The proposal for 2019 profit and loss allocation has not been resolved at the general shareholders’ meeting.

(VII) Dividend policy and implementation status

1. Dividend Policy:
   The Company plans to propose the following dividend policy at the shareholders’ meeting on June 15, 2020: The Company will adopt the residual dividend policy in line with the overall environment, characteristics of industrial growth, and the Company’s long-term financial planning, so as to attract domestic and foreign talents and pursue sustainable operation of the Company.
   The Company's Articles of Incorporation provides that if there is any surplus at the end of the year, it shall be distributed in the following order: (1) Make tax payments. (2) Make up for the losses for preceding years. (3) Appropriate 10% for the legal capital reserve. (4) Appropriate or reverse special reserves according to laws or the competent authority regulations. (5) After deducting the aforesaid payments, the Board of Directors shall put forward a distribution proposal with respect to such balance together with the profits from preceding years at the shareholders' meeting for a resolution; the total amount of dividends distributed to shareholders shall not be less than 30% of the distributable surplus for the year.
   Type of dividends: The distribution of stock dividends in accordance with the Company’s capital budget is to retain the capital required and the remaining portion may be distributed in the form of cash dividends, provided that it shall not be less than 10% of the total dividends.
2. Proposed dividend distribution at the shareholders' meeting:
   The Company does not distribute dividends in the current year.

(VIII) Impact of issuing stock dividend proposed in this shareholder's meeting on the Company's operational performance and dividends per share

The Company does not need to prepare the 2020 financial forecast, so it is not applicable.

(IX) Compensation to employees and directors

1. Information relating to percentage or scope of compensations to employees and directors in the Articles of Incorporation:
   The Company shall distribute 1% to 15% of the current year's profit for employee remuneration and no more than 1% of the current year's profit for the remuneration to Directors. However, the Company shall reserve a portion to make up for the losses in advance, if applicable.
2. Accounting procedures for discrepancies between the estimated and actual distributed amount of remuneration in the form of shares to the Company's employees and Directors in this period:
   (1) Accounting procedures for the estimated amount of remuneration in the form of shares to the Company's employees and Directors: Since it was net loss before tax for 2019, the remuneration to employees, Directors, and supervisors were not estimated.
   (2) Accounting treatment for discrepancies between the actual amount distributed and the estimated amount: Listed as profit or loss for the current period.
3. Employee compensation proposal adopted by the Board of Directors
   (1) Amount of remuneration distributed to employees and Directors in the form of cash or stock:
   The Company's Board of Directors resolved on March 18, 2020 that no remuneration to employees, Directors, and supervisors is estimated as it was a net loss before tax for 2019. If there is any discrepancy between the aforementioned amount and the estimated amount of recognized expenses for the current fiscal year, the amount, causes, and treatment of such discrepancy shall be disclosed: No discrepancy.
   (2) The amount of any employee remuneration distributed in stocks, and the amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial report: N/A.
4. If there is any discrepancy between the actual amount of remuneration distributed to employees and Directors (including number and amount of shares distributed, as well as share price) and the recognized amount of remuneration to employees and Directors in the previous fiscal year, the amount, causes, and treatment of such discrepancy shall be stated
   (1) It is resolved to distribute cash remuneration NTD$1,196,451 to employees and directors in Board of Directors' meeting held on March 18, 2019. There is no discrepancy between actual distribution amount and recognition amount.
   (2) If any discrepancy between the aforementioned amount and the recognized remuneration to employees and Directors is found, the amount, causes, and treatment of such discrepancy shall be stated: None.

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

II. Corporate Bonds

(I) Exchangeable corporate bonds

<table>
<tr><th colspan="2">Type of corporate bond</th><th>First time unsecured exchangeable corporate bonds</th></tr>
<tr><td colspan="2">Date of issuance (placement)</td><td>06/17/2015</td></tr>
<tr><td colspan="2">Par value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of issuance and transaction</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issue price</td><td>Issue by par value</td></tr>
<tr><td colspan="2">Total</td><td>NT$1,200,000,000</td></tr>
<tr><td colspan="2">Interest rates</td><td>0</td></tr>
<tr><td colspan="2">Term</td><td>5-year term; maturity date: 06/17/2020</td></tr>
<tr><td colspan="2">Guarantor</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Corporate Trust Dept., Chinatrust Commercial Bank</td></tr>
<tr><td colspan="2">Underwriter</td><td>Yuanta Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certifying attorney</td><td>Far East Law Offices
Ya-Wen Chiu, Attorney at law</td></tr>
<tr><td colspan="2">CPAs</td><td>KPMG Taiwan
CPA Wei-Chuan Kao and CPA Yuan-Chen Mei</td></tr>
<tr><td colspan="2">Method of redemption</td><td>For details, please refer to Article 6 of the Measures for the Issuance and Conversion of Corporate Bonds.</td></tr>
<tr><td colspan="2">Unredeemed principal</td><td>NT$299,600,000</td></tr>
<tr><td colspan="2">Articles for redemption or early liquidation</td><td>For details, please refer to Article 18 of the Measures for the Issuance and Conversion of Corporate Bonds.</td></tr>
<tr><td colspan="2">Restrictions</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, and the results of corporate bond ratings</td><td>N/A</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of common shares already converted (swapped or warranted) and Global Depository Receipts or other negotiable securities as of the printing date of this annual report</td><td>The amount of the swap was NT$900,400,000, and the par value of corporate bonds unexchanged was NT$299,600,000.</td></tr>
<tr><td>Issuance and conversion (swap or subscription) methods</td><td>For details, please refer to the Measures for the Issuance and Swap of Corporate Bonds in the Appendix.</td></tr>
<tr><td colspan="2">Possible dilution of equity or impact to shareholders’ equity caused by regulations on the issuance and conversion, swap or subscription to stocks</td><td>The swap was conducted for the common shares of Alpha Networks Inc, which did not have impact on the Company's and shareholders' equity.</td></tr>
<tr><td colspan="2">Name of the commissioned custodian of the swapped shares</td><td>N/A</td></tr>
</table>

D-Link Corporation

The first domestic unsecured exchangeable corporate bond issuance and method

I. Name of bond

D-Link Corporation (hereinafter referred to as "the Company"); the first time domestic unsecured exchangeable corporate bonds (hereinafter referred to as "the exchangeable corporate bonds").

II. Issuance date:

On 06/17/2015 (hereinafter referred to as the "issuance date").

III. Total issuance amount

The par value of each exchangeable corporate bond is NT$10,000. It is issued by denomination. The total number of bonds issued is 10,000, and the total amount of issuance is NT$10,000.

IV. Issuance period

The issuance period is five years; the bonds were issued on 06/17/2015 and will expire on 06/17/2020 (hereinafter referred to as the " maturity date").

V. The coupon rate of the bonds is 0% per annum.

VI. Date and methods of repayment:

Except for that bondholders exchange the bonds for common shares of Alpha Networks Inc. (hereinafter referred to as "Alpha") in accordance with Article 10 of these Measures, or exercise the right to reverse repurchase of the bonds in accordance with Article 18 of these Measures, or if the Company withdraws them in advance in accordance with Article 17 of these Measures or the Company repurchases them from the premises of securities firms for cancellation, when the bond matures, the Company will repay in lump sum with cash for the bonds held by bondholders based on the par value of the bonds, plus the accrued premiums (the accrued premiums upon maturity is 1.26% of the par value of the bonds, and the real annual yield is 0.25%).

VII. Guarantee status

This exchangeable bond is an unsecured bond, but if the Company reissues or conducts private placement of other secured exchangeable corporate bonds for the same exchange target (Alpha) after the issuance of this exchangeable bond, the level of creditor's rights or collateral for the secured exchangeable corporate bonds shall also apply to this exchangeable bond.

VIII. Subject of exchange: Ordinary shares of Ming Tai Technology held by the Company.

IX. Period of exchange

From the day following one month after the issuance of this exchangeable bond (07/18/2015) to the maturity date (06/17/2020), except for from the fifteen business days before Alpha's book closure date of stock dividends, book closure date of cash dividends, book closure date of stock subscription for cash capital increase to the base date for the distribution of stock rights, from the base date of the capital reduction to the day before the trading day for share exchange for capital reduction, and other book suspension periods for Alpha's common stocks as required by law, bondholders may request the Company to exchange the bonds for Alpha's common shares in accordance with these Measures at any time; the Company will proceed it in accordance with the provisions of Articles 10, 11, 13, and 14 of these Measures.

X. Procedure for filing a request for exchange:

(I) Bondholders shall fill out the "Application for Conversion (Exchange)/Repurchase (Redemption/Sale)/Cancellation/Subscription/ Performance/Redemption via Book Entry Operations (Payment Slip)" (exchange shall be indicated, along with the passbook containing the information of the bond trading) at the original securities firm. The securities firm will then apply to Taiwan Depository & Clearing Corporation (hereinafter referred to as the "TDCC"). After TDCC accepts the application, it will notify the Company's stock affairs agency electronically; when the notification is delivered, the exchange takes effect instantly, and an application for cancellation is prohibited. Within one business day after the notice is delivered to the Company's stock affairs agency, the Alpha's shares will be directly transferred to the bondholders' original securities account via book entry operations through TDCC. However, in the case of an odd lot (less than 1,000 shares) after the exchange, the delivery may be completed within five business days.

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

XI. Exchange price and adjustment

(I) The base date for the exchange price of this exchangeable bond was June 9, 2015; a simple arithmetic means of the closing price of Alpha's common stock for one business day, three business days, and five business days before the base date (exclusive), respectively, was chosen as the base price, and then the base price was multiplied by 105.26% (rounded the first decimal place). In the case of ex-rights or ex-dividend before the base date, the closing price of the exchange price to be calculated by sampling shall be the price after deducting equity or dividend; the exchange price shall be adjusted according to the exchange price adjustment formula as stipulated in Subparagraphs (II) and (III) of this article in the case of ex-rights or ex-dividend by Alpha from the date of decision to the actual date of issue. The exchange price for the issuance of the exchangeable bond was set at NT$22.00 per share. After adjustment, the exchange price for the issuance of the exchangeable bond was set at NT$19.36 per share.

(II) After the issuance of this exchangeable bond, except for the exchange for common shares using various securities with common stock conversion right or subscription right issued (or privately paced) by Alpha, in the case of an increase in common shares issued (or privately placed) by Alpha (including but not limited to cash capital increase, capital increase from earnings, capital increase from capital surplus, capital increase from employee bonus, a merger or acquisition of another company's shares for issuance of new shares, stock split, and cash capital increase to participate in the issuance of overseas depositary receipts, through public offering or private placement), the Company shall adjust the exchange price of this exchangeable bond in accordance with the following formula (rounded the first decimal place with downward adjustment rather than upward adjustment) while sending an official letter to write to Taipei Exchange (hereinafter referred to as "TPEx") for making a public announcement; the adjustment will be conducted on the base date (Note 1) of issuance of Alpha's new shares (in the case of a stock payment to be made, the adjustment will be conducted on the day when the said payment is made). If Alpha changes the issue price of the new shares for capital increase after the ex-rights base date, the Company shall re-adjust the exchange price using the following formula based on the updated issue price of the new shares . If the exchange price after adjustment is lower than the exchange price announced before the ex-rights ex-dividend base date, the Company shall send an official letter to TPEx for announcement of re-adjustment.

Exchange price after adjustment

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

Note 1: In the case of a cash capital increase for issuance of new shares or a cash capital increase for participation in overseas depositary receipts, it will be adjusted on the day when the stock payment is made. In the case of stock split, the adjustment shall be made on the base date of stock split. In the case of a merger or acquisition of another company's shares for capital increase, it shall be adjusted on the base date of the merger or acquisition. In the case of cash capital increase through private placement or the capital increase in the form of privately placed securities, it shall be adjusted on the delivery date of the private placement securities.

Note 2: The number of issued shares refers to the total number of issued shares of Alpha's common stocks (including through public offering and private placement) minus the number of treasury shares that have been repurchased by Alpha but have not been cancelled or transferred.

Note 3: If the contribution per share is stock dividends or stock split, the amount of contribution is zero. In the case of capital increase from employee bonus, the contribution per share is the closing price of the day before the shareholders' meeting, and the effect of ex-rights and ex-dividends shall be considered. In the case of issuance of new shares with capital increase from mergers, the contribution per share is the net value per share multiplied by the share conversion ratio based on the Company's most recent eliminated financial statements certified or verified by the CPA before the base date of mergers. In the case of issuance of new shares through acquisitions of shares of other companies, the contribution per share is the net value per share multiplied by the share exchange ratio based on the Companies' most recent financial statements certified or verified by the CPA.

Note 4: A simple arithmetic means of the closing price of Alpha's common stock on the ex-rights base date or the price-setting date of the common stock reissued (or privately placed), or the closing price of Alpha's common stock one, three, and five business days before the delivery date of privately placed securities is chosen as the real-time price per share.

(III) After the issuance of this exchangeable bond, if the ratio of cash dividends of common shares distributed by Alpha to the current price per share exceeds 1.5%, the exchange price shall be reduced on the basis of the ratio of the current price per share on the Alpha's ex-rights base date (rounded to the first decimal place), and an official letter shall be sent to TPEx for making a public announcement of the exchange price after adjustment. The provision regarding the exchange price reduction does not apply to the requests for exchange filed before the ex-dividends base date (exclusive). The adjustment formula is as follows:

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

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

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

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

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

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

(V) Where the number of common shares is reduced due to the capital reduction conducted through means other than the Alpha's cancellation of treasury shares after the issuance of the exchangeable corporate bonds, the exchange price shall be calculated based on the formula below (rounded to the first decimal place) and adjusted on the base date of capital reduction, while an official letter shall be sent to TPEx for making a public announcement for such an adjustment.

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

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

XII. For listing of this exchangeable bond on the over-the-counter (OTC) market and termination of the listing, this exchangeable bond shall be applied to TPEx for trading on the OTC market before the issuance date, and the Company shall make an announcement after the application is approved by TPEx. When this exchangeable bond is fully exchanged for Alpha's common shares or fully re-purchased or redeemed by the Company, the listing will be terminated.

XIII. After this exchangeable bond is exchanged for Alpha's common shares, it can be traded on the Taiwan Stock Exchange from the delivery date.

XIV. In the case of exchange for Alpha's common shares, if it is fewer than one share, the Company will pay in cash (rounded up to zero decimal places)

XV. Rights and obligations after exchange
The rights and obligations of holders of common shares after exchange are the same as those of Alpha's original common shares.

XVI. The ownership of annual cash dividends and stock dividends via exchange:

(I) Cash dividends

1. Where a bondholder files a request for exchange from January 1 of the year to 15 business days (exclusive) before Alpha's book closure date for ownership of cash dividends in the current year, the bondholder may participate in the resolution of the annual shareholders' meeting in the current year regarding the cash dividend distribution for the previous year.
2. From 15 business days (inclusive) before Alpha's book closure date for ownership of cash dividends in the current year to the base date of ex-dividends (inclusive) for cash dividends, the exchangeable corporate bonds shall stop being exchanged.
3. Bondholders who request the exchange from the day following the ex-dividend base date of Alpha's cash dividends in the current year to December 31 (inclusive) in the currently shall give up the cash dividends for the previous year resolved at the annual shareholders' meeting in the current year and participate in the resolution of the cash dividends for the current year at the annual shareholders' meeting in the following year.

(II) Stock dividends

1. Where a bondholder files a request for exchange from January 1 of the year to 15 business days (exclusive) before Alpha's book closure date for ownership of stock dividends of the current year, the bondholder may participate in the resolution of the annual shareholders' meeting in the current year regarding the stock dividend

distribution for the previous year.

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

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

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

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

XVIII. The bondholder's rights to reverse repurchase:
The reverse repurchase base date of this exchangeable bond for bondholders is the date when the bond has been issued for two years (06/17/2017). The Company will send a "notice of exercise of bondholders' rights to reverse repurchase" to bondholders by registered mail 30 days before the reverse repurchase base date (subject to the register of bondholders on the fifth business day before sending of the "notice of exercise of bondholders' rights to reverse repurchase;" for investors who subsequently obtain this bond through trading or for other reasons, it shall be conducted through announcement), while sending an official letter to TPEx for making a public announcement regarding the exercise bondholders' rights to reverse repurchase of this exchangeable bond. Bondholders may notify the Company 's stock affairs agency in writing within 30 days after the announcement (effective upon delivery, and the postmark date shall prevail for registered mail), requesting the Company to redeem the exchangeable bond held in cash based on the par value of the bond, plus accrued premiums (100% of the par value of the bond after full two years (real yield rate at 0%) . After accepting the request for reverse repurchase, the Company shall redeem this exchangeable bond in cash within five business days after the reverse repurchase base date. The date above may be postponed to the next business day if the Taiwan Stock Exchange or Taipei Exchange is closed on the date.

XIX. All the exchangeable bonds recovered (including those repurchased by the Company through the securities firms) redeemed, or exchanged by the Company will be canceled and may not be sold or issued, and the exchange rights attached thereto will be eliminated.

XX. This exchangeable corporate bond and Alpha's common shares after exchange are all registered. The transfer, registration of changes, pledges, or lost reporting, shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant provisions of the Company Act. Taxation matters are handled in accordance with the tax laws of the time.

XXI. Alpha's common shares for which this exchangeable bond is exchanged are under the custody of TDCC.

XXII. The Corporate Trust Department, Chinatrust Commercial Bank is the bondholders' trustee, exercising the power of auditing and supervising the matters related to the Company's issuance of this exchangeable bond on behalf of the bondholders' interests. The bondholders, whether subscribing for the bonds at the time of issuance or buying halfway, agree to grant the trustee full authorization for the matters related to the provisions of the trust contract between the Company and the trustee, the rights and obligations of the trustee, and the issuance and exchange methods. Such authorization shall not be cancelled halfway; the bondholders may check the contents of the contract at any time during business hours at the Company or the trustee's business premises.

XXIII. The repayment of principal and interest and the exchange matters of this exchangeable bond are carried out by the stock affairs agency.

XXIV. This exchangeable bond shall not be issued in the physical form in accordance with the provisions of Article 8 of the Securities and Exchange Act.

XXV. Where the matters are not specified in the regulations regarding the issuance and exchange of the exchangeable bonds, relevant laws and regulations shall prevail.

(II) Information on Exchangeable Bonds

Unit: Thousand shares; NT$

Type of corporate bond		First time unsecured exchangeable corporate bonds					
Item \ Year		Upon issuance	2015	2016	2017	2018	2019
Number of common shares held for exchange		161,666	145,500	145,478	110,103	109,191	104,480
Exchange price		22.00	22.93	22.31	21.37	20.38	19.36
Market price of the exchangeable corporate bond	Highest		103.00	109.00	134.80	126.00	132.00
	Lowest		96.80	98.30	102.50	100.90	105.00
	Average		99.48	103.81	113.55	112.00	117.74
Date of issuance (placement)		06/17/2015					
Target for exchange		Alpha Network Inc's common shares held by the Company					

III. Issuance of Preferred Shares: None

IV. Issuance of Depository Receipts: None

V. Status of Employee Stock Option: None

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

VII. Fund Allocation Plans and Implementation: None

Chapter 5. Business Overview

I. Business Activities

(I) Business scope

1. Major lines of business
   The Company sells corporate/commercial and consumer network systems, equipment, as well as wireless communication products and their components; focuses on innovation, R&D, and long-term close cooperation with the technological R&D teams of various professional suppliers. In addition to providing various network application solutions in recent years, the Company has actively developed the IoT technology, cloud service products, cloud application platforms, smart home solutions, and home router security protection platform while exploring relevant industrial technologies and market development to get prepared for 5G.
2. Weight of business for main offerings

Unit: NT$ Thousands

Products	The Company		Consolidated company	
	Total sales amount in 2019	Proportion of annual revenue (%)	Total sales amount in 2019	Proportion of annual revenue (%)
1. Netwrok Products	1,135,398	66.73	16,847,803	99.13
2. Service Revenue	566,149	33.27	148,245	0.87
Total	1,701,547	100.00	16,996,048	100.00

3. Current major products
   (1) Switch
   The switch is a hardware switching circuit to complete position recognition and data transmission. When the nodes are connected to the nodes, independent bandwidth is available. In addition to the fast transmission speed, the nodes can perform separate communication. It is a network switching device with the layer 2 (L2 basic switch) and layer 3 (L3 switch router) functions, including Ethernet, high-speed Ethernet, and 1G Ethernet, and 10G Ethernet among other technical interfaces, to achieve the purpose of secure and fast transmission of data.
   The product lines can be divided into unmanaged, smart, managed, chassis, and industrial switches to choose from, to provide the SOHO group, small and medium-sized enterprises, large enterprises, and telecommunications companies with network equipment solutions. The Data Center switch is the Company's new switch product line, which supports 10G/40G/100G transmission interface to meet the needs of data centers.
   (2) Wireless LAN Products
   A wireless network is an access device that provides wireless network login and access through an access point (AP) or wireless router (or wireless network base station). As long as a client's computer or handheld device has wireless network communication capability, the wireless base station can be connected to exchange data, eliminating the problem of network wiring. This not only provides the flexibility of Internet access but also the convenience of network connection in many places where wiring is difficult. This technology is widely used in wireless transmission in offices, homes, and

public areas. The current product focus is on routers that comply with IEEE 802.11ac, and its wireless network speed rate can reach Giga bits; as smart home/IoT will enable more connected devices, the focus of product development will gradually shift to the latest 802.11ax in order to meet future needs. In addition, a series of new routers with value-added functions are added to the product line; with the built-in secure home platform, the support for wireless mesh network (mesh), automatic software update (FOTA), and voice control (Alexa and Google Assistant), it is expected that this product will bring new user experience to the home network.

(3) Broadband Products

Broadband means that the device can process signals at a wider frequency. According to different transmission media, there will be different transmission standards. The more common transmission media are twisted pairs, and the transmission standards are ADSL, VDSL, VDSL2, and the newer G.fast; the transmission standards of coaxial cable are DOCSIS 2.0, DOCSIS 3.0, and DOCSIS 3.1; the main transmission standards of optical fiber are EPON, GPON, 10G EPON, NG-PON2 and XG (S) -PON, to provide fast broadband Internet service. In addition, due to the high wiring costs in remote areas or areas with low population density, mobile network solutions are also options for Internet service providers to enhance the network coverage, including 3G router, LTE router, and 5G that is gradually developed, which is one of the Company's key projects for broadband product development in the future.

(4) Digital Home Appliances

The main products are IP camera, network storage, and IoT peripheral equipment, along with cloud management platform, as a complete smart home solution. In addition to a wide range of home, commercial, indoor, and outdoor products, IP cameras for which batteries can be used have been introduced in recent years. IoT devices include various sensors (such as motion sensors, water sensors, and door sensors), smart sockets, smart home gateways, and relevant home automation products, home security, as well as audio-visual multimedia centers

(5) Cloud Application Product Solutions

The general cloud-connected devices in the market only meet the user's single device requirement, such as camera cloud, but the innovative value that D-Link Cloud aims to create is to enable users to integrate all their connected devices through the cloud (IoT Cloud). Through the cloud created by mydlink, users may enjoy the diverse functions of "being informed," "checking," "controlling," "accessing," and "sharing" to meet the diverse needs in everyone's different network behavior and habits at work or in daily life. D-Link's mydlink cloud solutions can be said to be the best innovative technology application model for people to step into cloud life.

The enterprise wireless cloud is a cloud and hardware integrated platform solution newly developed by the Company recently. It aims to provide low-cost and easy-to-build wireless networks (Wi-Fi hot spots, including switches, indoor AP, outdoor AP, and firewall) to meet the needs of its clients. This product line is a key focus of the Company because it features the convenience in installation, upgrading, and maintenance brought by the cloud platform. As the SME market focuses on quality and services, this product line can bring more profits to the Company and develop the core value of its own brand. In addition to the revenue generated by the sale of equipment, the service fee paid by customers from continuous use not only increases the Company's gross profit margins, but also supports its continuous innovation and improvement within the Company to provide better services and achieve the vision of sustainable operation.

(6) Other Network Products

In the case of network security products, based on the importance of network security, D-Link provides a series of solutions for enterprises to choose from, including firewall and VPN router. Other network peripheral products include network cables, USB 3.0/USB3.1 hubs, USB-C adapters, and power line network bridges.

In addition, in recent years, in emerging markets such as India, passive products, that is copper cable devices without a processor, such as cables, splitters, and adapters have created a great deal of revenue for the Company, which is a bonus because of the Company's brand effect.

(II) State of the industry

1. Development status of the industry

(1) Local Area Network (LAN)

Given the low-cost and easy-to-install characteristics of Ethernet, currently the LAN cabling at the access level and above around the world is still dominated by Ethernet. Ethernet equipment mainly consists of switches, whereas routers are the interfacing device between LAN and wide area networks. In terms of sales, ultra-high-speed Ethernet (gigabit Ethernet) has replaced high-speed Ethernet (fast Ethernet) as the mainstream of the market; with the evolution of mobile Internet technology and greater bandwidth demand, 10G/100G switches will also gradually replace gigabit switches. It is expected that the market share will be dominated by 1G,10G, and 100G.

The popularization of mobile Internet has accelerated the replacement of wired backbone networks, and the home network is also facing the need for replacement of routers due to changes in consumer habits. In addition to the faster, more stable, and easier to set up needs, the concept of comprehensive wireless network at home, and the appearance design that features simplicity, modern look, and integrated with the living room, coupled with various voice assistants, smart speakers, wireless routers become more flexible and can be integrated into home life smoothly, which is expected to drive a huge wave of replacements in European and the US markets. With the maturity of the technology and the investment by major brands, this wave is expected to be gradually extended to other continents in the following five years in addition to leading the European and American home wireless network market.

Hot Spot Wi-Fi is expected to grow under the government's policy in various countries to bridge the information gap, along with the demand for telecom operators to reduce the load on mobile networks and increase user stickiness. As the market share of solutions for business centralized management in market has gradually is increasing, market survey companies estimate that the global public wireless LAN is expected to grow tremendously in the following five years.

(2) Wide Area Network

At present, the current broadband access technology is dominated by copper wires, cables, optical fibers, and mobile networks. The digital subscriber line (DSL) technology uses the high frequency of the existing telephone network to transmit data signals without affecting the voice signals. With the advantage of higher penetration of lines, the number of xDSL users has clearly surpassed DOCSIS cable modem (but cable modem is still the mainstream of the broadband Internet access in North America). Among them, ADSL2+ can achieve a maximum transmission rate of 24Mbps for download, while VDSL2 can provide upload and download transmission speed of up to 100Mbps. With the promotion of major telecommunications companies, it has become the main product of copper wire Internet technology. The next-generation specification of G.fast can also provide an upload and download transmission speed of up to 1 Gbps in total. In addition to the development of copper wire (telephone line) technology, cable technology (DOCSIS) has a place in North America and Europe. The latest DOCSIS 3.1 specification also supports download speed of up to 10Gbps. In addition, in order to save the cost of optical fiber deployment, various passive optical network (passive optical network, or PON) technologies are also booming (EPON, GPON, GEPON, and 10G PON); with the popularization of Wi-Fi 6 and mobile 5G, 10G PON, with its 10 times the upload and download transmission speed and advantage of supporting Mobile Backhaul, it is expected to take the fiber optic network market by storm as the mainstream in next generation.

The fourth-generation mobile phone (4G) communication is still the mainstream of wireless wide-area communications, but with the increasing demand for bandwidth and accelerated promotion of new services derived from technologies, such as artificial intelligence (AI) and big data, the new generation of communications technology 5G is bound to become the key infrastructure. In addition to the traditional Netcom devices that use 5G to connect to the Internet, technologies, such as small cell and mobile edge computing are important items for industrial development.

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

<table>
<tr><td>Semiconductor industry</td><td>Telecommunications IC design
Telecommunications network chip manufacturing
DRAM manufacturing
Packaging testing industry</td><td>Printed circuit board (PCB) suppliers
Passive component suppliers
Connectors
Power supply</td><td>Antenna manufacturing
Case manufacturing
Cable and wiring industry
Other electronic components</td></tr>
<tr><td colspan="2" rowspan="2">Information system and its peripherals suppliers</td><td rowspan="2">Telecommunications network equipment suppliers</td><td>Research and development</td></tr>
<tr><td>Brand marketing</td></tr>
<tr><td>System integrators</td><td>Cloud-based services</td><td>Electronic product distributors</td><td></td></tr>
<tr><td>Telecommunications and Internet services</td><td>Corporate and institutional users</td><td>SOHO group and household users</td><td></td></tr>
</table>

3. Development trend and competition of products

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

A. Build a variety of cloud applications and solutions through D-Link Cloud

Since the launch of the "D-Link Cloud" series, as an innovation revolution in the global Netcom industry, in the world in 2011, D-Link has gradually introduced it to various applications and integrated commercial solutions in recent years to be more in line with clients' needs.

For commercial purposes, based on the concept of software as a service (SaaS), Nuclias Cloud is launched to integrate various products, including switches, Wi-Fi, and security gateways. A complete solution allows clients to set up a wireless LAN (hot spot) in a very short time, to not only lower the user's technical threshold, reduce the manpower, time, and cost required for network management but enhance network security.

For the new revision of the mobile app (including mydlink app 2.0 and D-Link Wi-Fi app), the simple and intuitive user interface is more in line with user needs, and the thoughtful guiding steps can shorten the device setup time, with the current popular voice assistants (Alexa and Google Assistant) integrated; there are multiple value-added services (such as scheduled recording, multi-screen, cloud recording, motion detection, and automatic on and off) to enhance the user experience.

The Over the Air (OTA) upgrade can keep the software of D-Link's products in the latest version at any time to reduce the risk of increasing security vulnerabilities.

B. D-Link security surveillance service solution

D-Link service solution, with surveillance as the core, integrates the existing switch, storage, IoT, software products and services, as well as cloud platforms, to provide customers with comprehensive services. For clients, because of complex product selection, solutions with complicated technical terminology, difficult system technical problems, and diverse composition of suppliers during the purchase of IP-based monitoring devices, when they set up products, they often encounter conflicts with the existing basic network architecture, and need to put even more effort in dealing with equipment compatibility, system integration, and other issues, which always cause problems in the procurement process.

However, D-Link's security surveillance service solution mainly provides users with an overall network monitoring solution, which makes it more convenient and simple for users to choose, purchase, and use security monitoring equipment solutions, saving users' time and budget costs significantly. Moreover, as the products are under the same brand, the compatibility problem arising from products from different brands can be avoided, providing users with a more stable security monitoring environment.

C. 5G/4.5G Advanced Technology Application

D-Link's advanced cloud mobile solution can help mobile operators provide general consumers with an unparalleled Internet experience, particularly sharing private files, information, and even high-definition multimedia files more efficiently and quickly through cloud services, allowing consumers to enjoy extremely fast internet speed, high transmission capacity and better mobility. Through the integration and innovation of 5G/4.5G and D-Link's cloud services, users' online perception and habits will be completely subverted. In the future, they can connect to the Internet through various terminal products anytime, anywhere, and enjoy truly high-quality mobile Internet freedom and fun.

(2) Product competition

At present, the leading players in Internet high-end hardware products are American Internet manufacturers. International manufacturers lead the technology mainly in the core layer of network. The Company's strengths are in the aggregation layer of network and the access layer. In terms of corporate network, major competitors include Cisco, HP, and other international brands. As D-Link has been dedicated to the Ethernet for many years, it has established a complete ecological chain, including product development, production, software development, technical support, and customer education and training; thus, it is quite competitive in this aspect.

In terms of wireless LANs, low-end switches, and broadband networks, the low-cost brand of TP-Link has developed rapidly in China and emerging countries, and thus the Company has set up bases in Europe and the US. As China has a cost advantage because of its huge market as a niche, the retail/telecommunications market has become a price competition. Only by deepening value-added services and improving quality control to obtain customer recognition will the Company get out of the price undercutting competition.

The group's company Alpha Networks Inc. is one of the leading network equipment suppliers. Through close R&D cooperation and the Company's active investment in software R&D, the Company has a wider range of technologies than competitors, such as cloud services, network security, network cameras, high-end routers, and network storage products. In the market where overall solutions are emphasized, the Company's products are extremely competitive.

(III) Technologies and recent R&D efforts

1. R&D expenditure in the last two years

Unit: NT$ Thousands

Year	The Company	Consolidated company
2019	701,083	1,064,731
2018	664,549	1,008,798

2. Overview of technologies and R&D

D-Link's main products and technologies include wireless network IEEE802.11 series, applied to wireless routers, bridges, and other products, which will be the focus of future home network establishment; digital subscriber line xDSL of broadband network, optical fiber transmission FTTH/FTTC, broadband application of integrated gateway device (IAD); technical interfaces and multi-level application technologies, including switches, high-speed Ethernet, ultra-high-speed Ethernet, and 10GbE ultra-high-speed Ethernet; others include digital cameras, storage, security, firewall, home automation, IoT, and various network integration technologies. The Company has numerous patents in various technological aspects. The Company's advantages in terms of the marketing bases and channels throughout the world, as well as the understanding of changes in the needs of end customers, have helped itself obtain various technical resources efficiently and integrate and apply them in line with the actual market demand, while developing innovative and marketable Netcom products for enterprises and households in a timely manner.

Furthermore, the long-term close technological cooperation with various professional suppliers has established a wealth of experience in product development, which enables the Company to integrate various technologies quickly, so that the introduction of new products can meet the latest market demand.

3. Technologies and products planned for development
   (1) Switch
   Due to the increasing demand for mobile Internet access, the network switch market continues to grow. In response to market demand, the Company will develop a series of relevant 1GbE and 10GbE ultra-high-speed Ethernet switch modules as well as ultra-high-speed stackable Ethernet switches, to effectively relieve congestion on servers and backbone networks. In addition, Data Center switches, surveillance switches that support POE and can be built with cameras, as well as cloud switches for corporate wireless cloud solutions are also under continuous development.
   (2) Wireless LAN
   Wireless network is currently the most widely used and fastest-growing mainstream technology in the market. A series of dual-band or even tri-band wireless network cards, AP, and router products have been upgraded to the IEEE 802.11ax standard to increase the wireless network speed to 2.5 Gigabits, which also provides a wireless network environment at a speed of up to 6000 Mbps. Mesh is a wireless technology that has been highly valued by the market in the past two years. Compared with the limitation of traditional wireless connection technology that can only transmit from one single point to another, the mesh network allows each sharing device to connect to each other, thereby avoiding single point of failure that 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 market demand.
   Another important development is to expand wireless applications to outdoor and public hot spots, to meet the needs of SOHO group and SME for online connection, while convenience and mobility are provided. For advanced applications of wireless networks, the Company provides enterprise-grade wireless APs and wireless controllers, which meets the enterprises' requirements for high management and security of wireless networks. The Company also introduced relevant products for the latest Wave 2 MU-MIMO. Recently, based on the design concepts of rapid deployment, centralized management, lowering the threshold of use, and reducing the burden on information personnel, the Company has also launched an enterprise cloud network service system with a series of switches, enterprise-grade wireless APs, and security gateways to meet clients' demand.
   (3) Broadband access products
   Although the demand for broadband Internet access has slowed down due to mobile Internet access, the advantages of a stable rate and low cost still enable it to maintain a certain market share in broadband Internet access technology. In view of the low-price competition brought by the emerging

China's suppliers in the huge mainland market, the Company's product development direction will shift to high-end, high added value, and the high demand for software customization. Therefore, a series of VDSL IAD, G.fast IAD, 11ax VDSL router, and 10G PON. have been planned and launched successively; for low-end ADSL products, the Company cooperates with suitable suppliers according to project types and clients' needs.

As for wireless broadband, since 5G supports high-speed transmission, the coverage of the base station is bound to be not big. Considering that the site for base stations is not easy to find (community protests) and the construction cost is too high (rent, electricity, and network), small cell is also expected to be one of the key factors for the success of 5G. The Company has invested resources in the R&D of new technologies related to 5G/4.5G and small cell. Given that broadband backhaul is the Company's strength, future growth can be expected.

(4) Digital home products

D-Link has entered the home market from the enterprise one, and is actively investing in digital home solutions. In addition to IP cameras, network storage devices, as well as home automation and home care systems that integrate cloud services, the Company has developed a series of IoT devices recently (such as sensors, smart sockets, and smart home gateways). Together with the existing cloud management platforms and advanced voice assistants (Alexa and Google Assistant), the Company can provide a more interesting and secure user experience. Recently, as the Company's policy shifts to the commercial market, it has planned a full range of solutions that meet small businesses' application scenarios, to return to the enterprise market from the home one. In addition to increasing customer loyalty in global channels, it can gradually get out of the dilemma of low-price retail competition.

(5) Cloud value-added services

The Company leverages the mydlink cloud service platform to increase the added value of network cameras and routers to provide a basic environment for smart homes and IoT. In addition to the cloud service platform on the consumer side, D-Link is actively developing the cloud service platform for corporate users, with the aim of increasing the depth and breadth of services by using a series of wireless cloud APs and cloud switches for enterprises, to increase customer loyalty and increase the distance from competitors. Furthermore, with the maturity of various artificial intelligence technologies (such as license plate recognition and car fleet management), the Company has begun to integrate various technologies, with existing cloud services, network cameras, 4.5G/5G routers, and other existing advantages to deepen and vertically integrate the market and create alternative business opportunities.

4. Product/system development success and specific results

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

Year	Item
2011	A. Smart TV-related support network multimedia playing function, over-the-top (OTT) service, somatosensory games, and online community functions, such as D-Link Boxee Box, D-Link Yahoo Box, and D-Link Android Box B. A new generation of 10G Data Center switches. C. mydlink instant online security monitoring technology on iPhone, iPad, and Android Phone. D. HD media routers that support wireless transmission of high-definition video and audio. E. Smart Antenna, a wireless base station that supports longer transmission distances. F. Wireless transmission that supports Intel wireless display to TV. G. USB3.0 cards and hubs.
2012	A. The hybrid network power cord wireless router and wireless base station that also support 802.11n wireless network and power cord network, with a transmission speed of up to 300Mbps (wireless)/500Mbps (power cord). B. 802.11ac wireless routers and AP and USB/PCIE wireless network cards. C. mydlink cloud network product series, including cloud routing, cloud storage, cloud monitoring. D. Various apps in cloud routing, cloud storage, cloud monitoring on smart phones and tablets. E. mydlink solutions for commercial cloud services. Intelligence video surveillance system (IVS).
2013	A. Baby Cam.: a series of dedicated webcam for baby care. B. High-sensitivity nighttime full-color series network cameras. C. 11ac + 3G + IP cam portable mobile routers. D. Mydlink shareport mobile device integrated data access app. E. D-store business linkage solutions. F. The 11ac version of all wireless devices is fully launched.
2014	A. Smart home IoT: Guji Cloud wirelessly connects smart homes with the mydlink cloud platform to provide a complete solution in wireless service, security, and energy conservation to ensure connected operation with mydlink Home app. B. UI and Web UI icons are updated; simple setting can be carried out through with mydlink lite, mydlink home, and QRS app. C. The LTE smart home gateway leads the world with LTE CAT6 (300Mbps), and the 11ac 3x3 router provides VoLTE and WiFi-calling voice services on the OSGi JAVA open platform. D. Logging onto Facebook fan page through Facebook Wi-Fi allows for the free use of Wi-Fi services to enhance interaction with customers. E. Company BYOD certification and authorization solution.
2015	A. Cloud services platform and enterprise cloud equipment. B. A new generation of high-power output PoE switches and metro Ethernet switches. C. mydlink Home series of services and products. D. A new generation of 11ac Wave2 routers. F. 4G LTE machine-to-machine (M2M) and vehicle communication modules.

2016	A. Apple Homekit certified 180 ° IP-CAM. B. Wave 2 MU-MIMO AC1900/2600。 C. Business cloud for telecom. D. Launched smart industrial switches. E. Tri-band AP with the Smart Antenna function.
2017	A. Mesh is integrated into the switches and routers. B. A new generation of digital camera product groups, such as LTE, battery, and dual-eye camera. C. AI-related technologies, e.g., face recognition are applied to digital camera products. D. 5G generation product planning and vertical market exploration.
2018	A. Data Center switches. B. Nuclias enterprise cloud management system that supports Hot Spot AP, switches, and cameras. C. Exploration of 5G mobile communication broadband gain routers and 5G small cell technology. D. Vertical integration of artificial intelligence, facial recognition, license plate recognition, camera, network storage, 4G router, cloud management systems, toll systems, and complete solutions. E. Mesh home wireless routers and secured home wireless routers. F. Complete smart home solutions.
2019	A. Cloud switches. B. 2.5Gbps smart switches C. New Covr series of cross-generation mesh wireless network routers. D. Door and window sensors, motion detection sensors, and smart switches that support Amazon Echo Plus. E. LTE M2M VPN/Wi-Fi wireless routers. F. 5G NR wireless routers and MiFi (sub-6GHz)

5. Innovation Results

With its innovative value and multiple product lines that have won many international awards, D-Link's products have always led the trend. The glory of each award proves our superior innovative services and core technological advantages. In 2019, the Company continued to develop a variety of products and was recognized with domestic and foreign awards, including the DWP-1020 5GNR Outdoor CPE and DWR-2101 5G NR MiFi, which won the CES 2020 Innovation Award, as the first step for the Company to step into the 5G and AI industries. The COVR-1902 Home Mesh Wi-Fi system that won the 2020 IoT Breakthrough Award was tailor-made for IoT smart homes. The high-speed and low-latency features of Wi-Fi 6 are used for IoT devices and relevant applications, which can maximize the convenience of smart life, home care, connected communities, home video and music entertainment, and other new-generation lifestyles enabled by smart home.

(IV) Long- and short-term business development plans

1. Short-term development plans

(1) Build complete network solutions

The Company will continue to develop professional capabilities for product integration, upgrade technical service levels, implement corporate solutions, and strengthen cooperation with VAD, VAR, and SI channels. D-Link will also introduce enterprise cloud services to lower the technical threshold and service cost for its partners.

(2) Complete cloud Network product lines

The Company will continue to implement the cloud-building plan, focusing on the R&D and rapid deployment of the D-Link Cloud product lines that integrate innovative service applications, such as cloud monitoring, smart home, IoT, cloud storage, and the mydlink TM platform, to seize market opportunities and build the top one brand in the cloud Netcom field.

(3) Focus on strategic and new product launch

For consumer customers and corporate clients, several key development product lines are planned, respectively, to keep abreast of the huge demand in the initial stage of new market growth and launch innovative products quickly, integrate the applications of security, mesh, voice control, IoT and AI, to raise the entry threshold for competitors, so as to consolidate the D-Link brand's market leadership in these niche products. The strategic products include:

Consumer market: IP Camera, 5G, LTE, Mesh Router, 11ax Router, and Smart Home.

Enterprise market: Smart switches, managed switches, and Nuclias Cloud.

(4) Investment in R&D of proprietary software

Today, the market is changing rapidly, and with the rise of the price-undercutting supply chain from China, software development has become an important key to differentiation. Cloud network management/service platforms, switches, and routers are the items for growth and the core items, respectively, which are the Company's R&D focus. Having its own core software will allow the Company to get out of the low-price competition and create more valuable products, and a complete solution is one of the keys to clients' repurchase. Through its long-term global layout and effort, the Company’s unique competitive advantages will be more useful in response to different cultures and in understanding customers' needs, exploring and integrating software development talents from different regions.

2. Long-term development plans

In terms of marketing, the Company will integrate global market resources, continue to expand global strategic alliance programs, and cooperate with well-known suppliers, telecom operators, and Internet service providers around the world to enhance service quality and the brand's added value. The Company aims to maintain its competitive edge as a global brand and become the world’s largest online user-end brand.

In terms of products, the Company will develop application products that integrate wireless/wired broadband Internet access technology, wireless LAN technology, switch technology, and digital content; with increasingly complete cloud solutions, it will strive to introduce consumer cloud services and enterprise cloud services under the IoT architecture. The Company will also form an alliance with upstream and downstream suppliers, in order to stay ahead of the market and jointly develop the next generation of world-class application products.

II. Market and Sales Overview

(I) Market analysis

1. Sales regions of major products

Unit: NT$ Thousands

Geographical region / Year		2018 Amount	2018 Percentage (%)	2019 Amount	2019 Percentage (%)
Export sales	Asia	761,413	44.09	628,404	36.93
	America	152	0.01	7,651	0.45
	Europe	266	0.02	89,816	5.28
	Sub-Total	761,831	44.12	725,871	42.66
Internal		964,876	55.88	975,676	57.34
Total		1,726,707	100.00	1,701,547	100.00

Note: To present the operating figures of the Company.

Unit: NT$ Thousands

Geographical region / Year		2018 Amount	2018 Percentage (%)	2019 Amount	2019 Percentage (%)
Export sales	America	2,717,142	14.02	2,222,383	13.07
	Europe	5,492,355	28.33	3,382,293	19.90
	Other	10,208,830	52.67	10,415,696	61.29
	Sub-Total	18,418,327	95.02	16,020,372	94.26
Domestic sales		964,876	4.98	975,676	5.74
Total		19,383,203	100.00	16,996,048	100.00

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

2. Overview of supply and demand and projected growth

(1) Digital cameras and IoT

With the vigorous development of IoT devices, various devices are gradually entering the home market and slowly being accepted by general users, making them the starting point of smart family life. Among all IoT devices, the only device that can receive image information is the digital camera, which can be described as the key to the smart home network. In the future, smart home applications will be combined with new technologies, such as AI, big data, and voice control. The camera will definitely play a critical role in the entire complete solution.

The competition in the digital camera market is becoming increasingly fierce. Various brands have launched AI wireless network cameras that support smart image analysis functions. The prices are becoming more reasonable. With the rise of handheld smart devices, various cloud application services and increased security monitoring needs and awareness, the compound annual growth rate of the market demand remains high. In the enterprise market, despite the high price competition in the security control equipment market, the mainstream trend of home care and remote monitoring remains unchanged, and the integration of cloud applications and the computer replacement trend continues. The broadband service in developing countries is gradually in place and 4G LTE are already common; 5G commercial networks are being deployed one after another; thus, it is estimated that the trend of growth will continue in the following few years.

D-Link has invested all its resources in the past ten years to integrate advanced technologies to make its product lines more complete and its software more user-friendly. Along with the latest launch of a series of IoT devices, it has strengthened product security and integrated cloud resources and third-party software applications so as to launch a complete solution/platform; D-Link has occupied a leading and superior position.

(2) Switches

In recent years, the enterprise market has been constrained by the increasingly competitive operating environment and the stagnation of the global economy. The capital expenditure budget has become conservative, resulting in the saturation in the traditional smart switch market. Obviously, the low-cost smart switch is replacing the high-priced managed switch. Furthermore, the increasing trend of enterprise virtual servers, IT outsourcing, and enhanced efficiency of network management, as well as requirements for the expansion of enterprise or public Wi-Fi AP have led to substantial growth in emerging smart switches and PoE switches. Overall, the SME switch market has shown relatively stable growth in supply and demand in terms of technology, distribution channels, and services. Unmanaged switches are still showing a decline.

Meanwhile, as data centers, public cloud/private cloud, the fifth-generation mobile broadband, IoT, e-sports, AI, edge computing, and other applications and services are gradually introduced into daily life, in the future, the demand for network bandwidth is bound to surge; the switch market, which is fundamental of the network, will also have a chance to usher in a new wave of growth.

(3) Routers

The router enables home access to Internet access equipment, and has recently become a competitive market. In addition to TP-Link quickly sweeping the global market at a low price, as the most competitive network communication equipment supplier and the rise of second-tier suppliers in emerging markets, mobile phone equipment suppliers (such as ASUS and Xiaomi), online service providers (Alibaba, Amazon, and Google), and telecommunications service providers around the world have entered this battlefield, while the original Netcom equipment suppliers Netgear and Linksys have made extraordinary moves, making the competition in the router market become more and more intense.

In response to the demand for mobile Internet access turning from outdoor to indoor, comprehensive Wi-Fi coverage and simple settings have also become a battleground for major manufacturers. In the past two years, D-Link has launched a number of mesh routers, along with the existing global distribution channels and software services, which should usher in another wave of router replacements to boost sales. For the traditional router market, the Company has gradually established software R&D resources. Their unique advantages and value have been gradually demonstrated in the developing countries, including accelerating the time to market, achieving differentiated functions, and supporting telecommunications bids; in line with the original global sales layout, D-Link can still maintain certain competitiveness in the highly competitive market.

In addition, as the remaining copper wires ages, the maintenance costs of cable broadband routers are getting higher, and bandwidth demand brought about by 5G increases, major telecom operators are sparing no effort to build their optical fiber networks. The previous generation of EPON/GPON 1Gbps/2.5Gbps is obviously insufficient to meet the demand, and XG (S)-PON and NG-PON2, which can support 10Gbps, have gradually matured in the past two years; according to market survey agencies, the market share of 10G PON in 2023 will reach 55%, exceeding that of 1G/2.5G PON for the first time, and the compound growth rate from 2019 to 2023 will also reach 195%. D-Link has been cultivating the cable broadband market for nearly two decades, and has established close cooperative relations with major telecom operators around the world for a long time; with the assistance of professional upstream, mid-stream and downstream suppliers, the Company has also begun planning projects to obtain business opportunities, contributing to establishment of the network.

(4) 5G

The 4G/LTE technology has matured, and is still the main driver force for the revenue of the Company's mobile broadband products this year. Since 3GPP completed and released the SA solution in the 5G NR standard in June 2018, various leading telecom operators have successively tried/commercialized 5GNR mobile networks; according to the forecast of various market survey agencies, 5G user number is expected to exceed one billion by 2023. Although mobile devices still dominate on the clients' end in the initial stage, but after considering the needs of mobile Wi-Fi sharing, increasing the locations where fixed broadband deployment is not easy, and fixed/mobile broadband failover, the Company has invested resources in R&D of new technologies related to 5G/4.5G and small cell, while actively integrating third-party software resources to improve product differentiation. The Company expects to launch several 5G NR indoor/outdoor products in the third quarter of 2020 to meet clients' needs.

3. Competitive niche
   (1) The Company's leading value-added cloud services and continuous introduction of forward-looking innovative products have continued to lead to product differentiation and market segmentation.
   (2) The product lines are complete, and the overall Netcom solution has core advantages that are irreplaceable.
   (3) The widest layout of service channels in the world has the advantages of instant local services and customization.
   (4) The Company is expanding the global software development team and actively cooperating with leading brands, such as Apple, Google, Amazon, and McAfee, while continuing to launch various innovative and value-added services of Netcom-related products.
4. Favorable and unfavorable factors for long-term growth and response
   (1) Favorable factors
      A. Global mobile Netcom market has development potential

      As the mobile 4G/5G, Wi-Fi 11ac/11ax, IoT, AI, and various cloud application services become mature, it is estimated that the average number of connected devices owned by households will grow exponentially; in order to meet the demand for bandwidth from various new services, the upgrade of the switch is also imperative, bringing tremendous business opportunities.

B. Global operations and local services
D-Link has established subsidiaries in more than 60 countries around the world and has established more than 170 sales bases worldwide, to provide a local service business model through combined global resources.

C. Supply chain with cost control and operational efficiency:
Deploying production lines in Asia can effectively reduce manufacturing costs and flexibly deliver products to the world.

D. Keeping abreast of clients' needs
The Company aims to create a home smart cloud environment based on mydlink. There are more than six million users of the mydlink products; with this strong basis, the Company will provide clients with the best application services.

E. Cross-industry strategic alliance
D-Link has actively worked with the major telecommunications/distributors/third-party software suppliers around the world as strategic partners to create a mutually beneficial advantage for win-win growth.

(2) Unfavorable factors

A. Intense market competition and price-undercutting pressure
New competitors are gradually entering the market, leading to price-undercutting competition, which will affect company profit.
Response measures:
1) Obtain more space for flexible pricing through a supplier management mechanism.
2) Reduce the distribution levels, strengthen the product integration and customer service capabilities of the branches, and replace the low-price competition with the overall service quality.
3) Develop a series of D-Link Cloud high value-added products, provide differentiated products, create market segmentation to get rid of the low-price competition.
4) Develop the Company’s own core R&D and common product base, which can improve the quality of products and quickly respond to market demand.

B. Long supply chain
Supply conditions are limited by the production capacity of upstream suppliers. It is difficult to control the delivery schedule and inventory of front-end orders.
Response measures:
1) Respond to any unexpected market events through a flexible supply chain management.
2) Seek multiple product partners to avoid a situation where a few manufacturers' delays in manufacturing process affects the Company's delivery schedule.

C. Uncertain impact of COVID-19 on the overall economy
COVID-19 has spread to the whole world; most countries have responded with the lockdown policy. Impacts of a sudden drop in demand, subsequent collapse of SME, and the unemployment wave on the global economy are difficult to estimate.
Response measures: The Company strictly controls the operating and

selling costs, actively adjusting the product and distribution channels structure to improve profitability. The continuous layout is carried out to recover the markets in developed countries and some emerging countries.

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

1. Key applications of major products

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

2. Production process of major products
   After the demerger from Alpha Networks Inc. in 2002, 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 2018 and 2019.
2. Major purchasers for the past two years

Unit: NT$ Thousands

Item	2018				2019			
	Name	**Amount**	**%**	**Relation to DLC**	**Name**	**Amount**	**%**	**Relation to DLC**
1	Alpha Networks Inc.	3,136,043	24	Affiliated companies of the Company	Alpha Networks Inc.	2,227,506	19	Affiliated companies of the Company
2	Company A	2,714,835	20	-	Company A	1,844,847	16	-
3	Cameo Communications, Inc.	1,710,744	13	The Company is the director of the entity	Cameo Communications, Inc.	1,603,073	13	The Company is the director of the entity
4	Other	5,765,606	43		Other	6,195,736	52	
	Net purchase	**13,327,228**	**100**		**Net purchase**	**11,881,162**	**100**	

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

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

Note 2: Only the consolidated figures are demonstrated.

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

(VI) Sales volume in the most recent two years

Unit: NT$ Thousands

Year / Sales value and volume / Major products	2018				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Netcom products	680,936	932,240	40,906,988	18,325,229	633,627	939,547	34,988,448	15,908,256
Revenue from rendering of services	—	32,636	—	93,098	—	36,129	—	112,116
Total	680,936	964,876	40,906,988	18,418,327	633,627	975,676	34,988,448	16,020,372

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

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

Year		2018	2019
Number of employees	Direct Labor	0	0
	Indirect Labor	677	751
	Total	677	751
Average age		39.10	38.60
Average year of service (years)		6.72	6.36
Education distribution ratio (%)	Ph.D.	0.44	0.40
	Master	36.15	35.42
	Bachelor	61.48	61.12
	High school	1.93	3.06
	Below high school	0	0

IV. Environmental Protection Expenditures

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

V. Labor-management Relations

(I) Implementation of employee welfare system

1. Employee welfare measures

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

Link Employee Welfare Committee is responsible for various employee welfare services, including establishing clubs to organize various activities, holding employee family days, company large-scale events, and providing maternity subsidies, birthday gift coupons, cash gifts (gift certificates) for the three main festivals, and emergency assistance.

2. Continuing education and training

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

3. Retirement system

   The Company's retirement matters are handled in accordance with the relevant provisions of the Labor Standards Act, and the new system as stipulated in the Labor Pension Act launched in 2005. The Company's employees may choose the old 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 December 2007, which were approved by the Department of Labor, Taipei City Government in March 2008.

4. Labor-management agreements

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

5. Protection measures for employees' rights and interests

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

6. Protection measures for work environment and employees' personal safety

   In addition to following the regulations and guidelines of the central competent authority, the Company has passed the certification of the ISO 9001 quality management system, ISO 14001 environmental management system, and the latest version of the ISO 45001 occupational safety and health management system. Through the certification by these professional organizations, the Company's environmental maintenance and employees' safety and health management at work are strengthened to achieve the protection of the work environment and employees' personal safety and health. Relevant operations are as follows:

   6.1 Physical examinations for new employees and health checkup for existing employees
   6.2 Identification, assessment, and control of work environment or job hazards.
   6.3 Management of machinery, equipment, or devices
   6.4 Labeling and identification of hazardous materials

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

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

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

VI. Important Contracts: None.

Chapter 6 Financial Highlights

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

(I) Condensed Balance Sheet–Based on IFRS

Unit: NT$ Thousands

Item / Year		Most Recent Five-Year Financial Information (Note 1)				
		2015	2016	2017	2018	2019
Current assets		2,009,249	1,771,487	1,370,935	1,487,687	987,330
Property, plant, and equipment		847,886	836,682	808,375	751,255	745,800
Intangible assets		191,667	166,168	130,068	151,887	122,932
Other assets		13,560,314	12,621,169	11,071,928	10,982,572	10,200,988
Total asset value		16,609,116	15,395,506	13,381,306	13,373,401	12,057,050
Current liabilities	Before distribution	3,743,569	5,015,014	3,436,322	3,452,468	2,718,198
	After distribution	3,933,410	5,207,621	3,436,322	3,582,867	(Note 2)
Non-current liabilities		2,232,490	881,196	942,920	721,446	865,438
Total liabilities	Before distribution	5,976,059	5,896,210	4,379,242	4,173,914	3,583,636
	After distribution	6,165,900	6,088,817	4,379,242	4,304,313	Note 2
Equity attributable to shareholders of the parent		10,633,057	9,499,296	9,002,064	9,199,487	8,473,414
Share capital		6,769,961	6,519,961	6,519,961	6,519,961	6,519,961
Capital surplus		1,969,201	1,736,948	1,588,696	1,669,905	1,598,807
Retained earnings	Before distribution	3,208,922	2,107,941	1,904,127	2,324,141	1,759,933
	After distribution	3,208,922	2,107,941	1,904,127	2,258,942	(Note 2)
Other equity interest		(678,132)	(768,699)	(992,808)	(1,314,520)	(1,405,287)
Treasury stock		(636,895)	(96,855)	(17,912)	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	10,633,057	9,499,296	9,002,064	9,199,487	8,473,414
	After distribution	10,443,216	9,306,689	9,002,064	9,069,088	Note 2

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

Note 2: The profit or loss allocation for 2019 has not yet been resolved at the general shareholders' meeting, and therefore the amount after distribution is not shown.

(II) Condensed Individual Income Statement—Based on IFRS

Unit: NT$ Thousands

Item \ Year	Most Recent Five-Year Financial Information (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	2,222,796	2,081,267	1,813,707	1,726,707	1,701,547
Gross profit	1,464,602	1,276,892	1,097,498	1,077,499	902,899
Operating profit (loss)	(193,951)	(218,159)	(152,985)	(263,323)	(427,246)
Non-operating income and expenses	(2,014,431)	(910,276)	(97,073)	380,575	(86,309)
Net income before tax	(2,208,382)	(1,128,435)	(250,058)	117,252	(513,555)
Net income from continuing operations	(1,870,831)	(953,572)	(193,451)	106,374	(508,327)
Loss from discontinued operations	-	-	-	-	-
Net income (loss) in this period	(1,870,831)	(953,572)	(193,451)	106,374	(508,327)
Other comprehensive income (loss) in this period (net value after tax)	(135,447)	(100,993)	(215,719)	(92,412)	(77,652)
Total comprehensive income	(2,006,278)	(1,054,565)	(409,170)	13,962	(585,979)
Net income attributable to shareholders of the parent	(1,870,831)	(953,572)	(193,451)	106,374	(508,327)
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent	(2,006,278)	(1,054,565)	(409,170)	13,962	(585,979)
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	(2.90)	(1.50)	(0.30)	0.16	(0.78)

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

(III) Condensed Consolidated Balance Sheet—Based on IFRS

Unit: NT$ Thousands

Item \ Year		Most Recent Five-Year Financial Information (Note 1)				
		2015	2016	2017	2018	2019
Current assets		14,450,337	13,028,983	11,584,444	12,329,689	10,161,487
Property, plant, and equipment		1,275,788	1,271,706	1,212,232	1,101,557	1,081,754
Intangible assets		715,789	672,010	603,109	622,270	586,308
Other assets		4,820,705	4,418,197	3,804,577	3,553,307	3,881,461
Total asset value		21,262,619	19,390,896	17,204,362	17,606,823	15,711,010
Current liabilities	Before distribution	8,618,313	9,123,364	7,406,818	7,663,344	5,937,479
	After distribution	8,808,154	9,315,971	7,406,818	7,793,743	Note 2
Non-current liabilities		1,598,747	336,942	389,774	326,547	847,492
Total liabilities	Before distribution	10,217,060	9,460,306	7,796,592	7,989,891	6,784,971
	After distribution	10,406,901	9,652,913	7,796,592	8,120,290	(Note 2)
Equity attributable to shareholders of the parent		10,633,057	9,499,296	9,002,064	9,199,487	8,473,414
Share capital		6,769,961	6,519,961	6,519,961	6,519,961	6,519,961
Capital surplus		1,969,201	1,736,948	1,588,696	1,669,905	1,598,807
Retained	Before distribution	3,208,922	2,107,941	1,904,127	2,324,141	1,759,933

earnings	After distribution	3,208,922	2,107,941	1,904,127	2,258,942	(Note 2)
Other equity interest		(678,132)	(768,699)	(992,808)	(1,314,520)	(1,405,287)
Treasury stock		(636,895)	(96,855)	(17,912)	-	-
Non-controlling interest		412,502	431,294	405,706	417,445	452,625
Total equity	Before distribution	11,045,559	9,930,590	9,407,770	9,616,932	8,926,039
	After distribution	10,855,718	9,737,983	9,407,770	9,486,533	Note 2

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

Note 2: Distribution of earnings for 2019 has not yet been resolved at the general shareholders' meeting. Therefore, the amount after distribution is not listed.

(IV) Condensed Consolidated Income Statement—Based on IFRS

Unit: NT$ Thousands

Year / Item	Most Recent Five-Year Financial Information (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	26,614,479	22,921,798	19,316,079	19,383,203	16,996,048
Gross profit	6,433,117	6,016,963	5,198,754	5,601,988	4,739,532
Operating profit (loss)	(1,587,130)	(855,365)	(457,690)	248,971	(384,756)
Non-operating income and expenses	(504,870)	65,991	332,462	48,426	95,203
Net income (loss) before tax	(2,092,000)	(789,374)	(125,228)	297,397	(289,553)
Net income (loss) from continuing operations in this period	(1,825,737)	(909,666)	(172,082)	145,453	(441,741)
Loss from discontinued operations	-	-	-	-	-
Net income (loss) in this period	(1,825,737)	(909,666)	(172,082)	145,453	(441,741)
Other comprehensive income (loss) in this period (net value after tax)	(136,007)	(120,250)	(224,928)	(115,769)	(97,830)
Total comprehensive income	(1,961,744)	(1,029,916)	(397,010)	29,684	(539,571)
Net income attributable to shareholders of the parent	(1,870,831)	(953,572)	(193,451)	106,374	(508,327)
Net income attributable to non-controlling interests	45,094	43,906	21,369	39,079	66,586
Total comprehensive income attributable to owners of the parent	(2,006,278)	(1,054,565)	(409,170)	13,962	(585,979)
Total comprehensive income attributable to non-controlling interests	44,534	24,649	12,160	15,722	46,408
Earnings per share	(2.90)	(1.50)	(0.30)	0.16	(0.78)

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

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

Year	Name of CPA	Audit opinion
2015	Kao, Wei-Chuan and Mei, Yuan-Chen	Modified unqualified opinions
2016	Kao, Wei-Chuan and Pao-Lien Chou	Unqualified opinion
2017	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)
2018	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)
2019	Pao-Lien Chou and Chiu-Hua Hsieh	Unqualified opinion (Matters of emphasis or other matters)

II. Financial Analyses for the Past Five Fiscal Years

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

Item (Note 3)	Year	Financial analysis for the past five fiscal years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure %	Ratio of liabilities to assets	35.98	38.3	32.73	31.21	29.72
	Ratio of long-term capital to property, plant, and equipment	1,404.55	1,135.35	1,113.60	1,224.55	1,136.15
Solvency %	Current ratio	53.67	35.32	39.90	43.09	36.32
	Quick ratio	48.89	32.5	37.04	39.01	31.18
	Times interest earned ratio	(62.49)	(35.00)	(12.31)	7.24	(42.18)
Operating ability	Receivables turnover rate (times)	5.38	4.74	5.27	7.60	6.27
	Average days for cash receipts	67.84	77	69.25	48.02	58.21
	Inventory turnover rate (times)	4.53	5.13	6.01	6.24	6.20
	Payables turnover rate (times)	3.01	3.10	3.22	3.82	3.60
	Average days for sale of goods	80.57	71.15	60.73	58.49	58.87
	Turnover rate for property, plant, and equipment (times)	2.60	2.47	2.21	2.21	2.27
	Total assets turnover rate (times)	0.12	0.13	0.13	0.13	0.13
Profitability	Return on asset (%)	(10.26)	(5.80)	(1.24)	0.88	(3.92)
	Return on equity (%)	(15.95)	(9.47)	(2.09)	1.17	(5.75)
	Ratio of income before tax to paid-in capital (%)	(32.62)	(17.31)	(3.84)	1.80	(7.88)
	Net profit ratio (%)	(84.17)	(45.82)	(10.67)	6.16	(29.87)
	Earnings per share (NT$)	(2.90)	(1.50)	(0.30)	0.16	(0.78)
Cash flow	Cash flow ratio (%)	4.44	Note 2	11.37	10.82	13.93
	Cash flow adequacy ratio (%)	48.39	47.62	46.55	44.68	90.47
	Cash re-investment ratio (%)	1.22	Note 2	1.82	3.48	2.43
Leverage	Operating leverage	0.32	0.38	0.14	0.56	0.72
	Financial leverage	0.85	0.87	0.89	0.95	0.97

Analysis of financial ratio difference for the last two years
Decrease in quick ratio: Mainly due to the collection of other receivables in 2019.
Decrease in interest coverage ratio: Mainly due to increase in net loss before tax in 2019.
Increase in average collection period for receivables: Mainly due to the increase in average balance of receivables in 2019.
Decrease in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio, and earnings per share: Mainly due to the increase in net loss before and after tax in 2019.
Increase in cash flow ratio: Mainly due to decrease in current liabilities in 2019.
Increase in cash flow adequacy ratio: Mainly due to decrease in capital expenditure in the most recent five years.
Decrease in cash flow reinvestment ratio: Mostly due to the distribution of cash dividends in 2019.
Increase in operating leverage: Mainly due to increase in net operating loss in 2019.

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

Item (Note 3)	Year	Financial analysis for the past five fiscal years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure %	Ratio of liabilities to assets	48.05	48.79	45.32	45.38	43.19
	Ratio of long-term capital to property, plant, and equipment	954.04	780.89	776.07	873.03	825.14
Solvency %	Current ratio	167.67	142.81	156.40	160.89	171.14
	Quick ratio	112.23	106.79	111.29	117.27	120.08
	Times interest earned ratio	(43.68)	(22.6)	(4.59)	13.33	(6.16)
Operating ability	Receivables turnover rate (times)	4.17	4.24	3.84	4.15	4.09
	Average days for cash receipts	87.52	86.08	95.05	87.95	89.24
	Inventory turnover rate (times)	2.91	3.28	3.28	3.31	3.13
	Payables turnover rate (times)	3.82	4.02	3.91	4.01	3.81
	Average days for sale of goods	125.42	111.28	111.28	110.27	116.61
	Turnover rate for property, plant, and equipment (times)	20.39	18.00	15.55	16.75	15.57
	Total assets turnover rate (times)	1.14	1.13	1.06	1.11	1.02
Profitability	Return on asset (%)	(8.02)	(4.29)	(0.77)	0.90	(2.28)
	Return on equity (%)	(15.43)	(9.09)	(2.00)	1.12	(5.48)
	Ratio of income before tax to paid-in capital (%)	(23.44)	(12.11)	(1.92)	4.56	(4.44)
	Net profit ratio (%)	(7.03)	(4.16)	(1.00)	0.55	(2.99)
	Earnings per share (NT$)	(2.90)	(1.5)	(0.30)	0.16	(0.78)
Cash flow	Cash flow ratio (%)	6.00	7.57	0.45	12.77	0.78
	Cash flow adequacy ratio (%)	30.87	42.40	18.45	53.93	193.65
	Cash re-investment ratio (%)	3.74	4.35	Note 2	8.88	Note 2
Leverage	Operating leverage	0.69	0.47	0.10	2.45	0.03
	Financial leverage	0.97	0.96	0.95	1.11	0.90

Analysis of financial ratio difference for the last two years
Decrease in interest coverage ratio: Mainly due to increase in net loss before tax in 2019.
Decrease in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio, and earnings per share: Mainly due to the increase in net loss before and after tax in 2019.
Decrease in cash flow ratio: Mainly due to decrease in net operating cash flows
Increase in cash flow adequacy ratio: Mainly due to increase in cash flow from operating activities for the last five years in 2019.
Decrease in operating leverage: Mainly due to net operating loss in 2019.

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

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

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

1. Financial structure
   (1) Liability to asset ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total net equity + Non-current liabilities)/Net property, plant, and equipment.

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

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

1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.
3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the

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

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

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflow to annual capital investment.
3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
5. Gross property, plant, and equipment refer to total property, plant, and equipment before the accumulated depreciation is subtracted.
6. Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

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

III. Audit Committee's Review Report on the 2019 Financial Report

D-Link Corporation

Audit Committee's Review Report

The 2019 business report and financial statements, which were agreed upon the Audit Committee and resolved by the Board, were audited by the CPAs Chou, Pao-Lien and Hsieh, Chiu-Hua of KPMG, and a review report was issued.

In addition, the Board of Directors has prepared the Company's 2019 Business Report, and the proposal for earnings appropriation. These have been reviewed and determined to be correct and accurate by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Best regards,

2020 General Shareholders' Meeting of D-Link Corporation

Convener of the Audit Committee: Shyang-Fong, Chung

03/16/2020

IV. Financial Report for the Most Recent Year

Please refer to pages 98 to 193 of this annual report.

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

Please refer to pages 194 to 274 of this annual report.

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

Chapter 7 Financial Status, Operation Results and Risk Management

I. Financial Position- Comparison Analysis

Unit: NT$ Thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Current assets	12,329,689	10,161,487	(2,168,202)	(18)
Property, plant, and equipment	1,101,557	1,081,754	(19,803)	(2)
Intangible assets	622,270	586,308	(35,962)	(6)
Other assets	3,553,307	3,881,461	328,154	9
Total asset value	17,606,823	15,711,010	(1,895,813)	(11)
Current liabilities	7,663,344	5,937,479	(1,725,865)	(23)
Non-current liabilities	326,547	847,492	520,945	160
Total liabilities	7,989,891	6,784,971	(1,204,920)	(15)
Share capital	6,519,961	6,519,961	-	-
Capital surplus	1,669,905	1,598,807	(71,098)	(4)
Retained earnings	2,324,141	1,759,933	(564,208)	(24)
Equity-Other	(897,075)	(952,662)	(55,587)	6
Total equity	9,616,932	8,926,039	(690,893)	(7)

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

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

1. The current liabilities decreased in this period compared to 2018, mainly due to the reduction of short-term loans, accounts payable (including related parties), and other payables.
2. The non-current liabilities increased in this period compared to 2018, mainly due to the increase in lease liabilities and deferred income tax liabilities because of the application of IFRS 16.
3. The retained earnings for this period decreased compared to 2018, mainly due to the net loss for this period.

II. Financial Performance

(I) Financial performance comparison/analysis table

Unit: NT$ Thousands

Item \ Year	2018	2019	Increase/Decrease	Change ratio (%)
Net operating revenue	19,383,203	16,996,048	(2,387,155)	(12)
Operating costs	13,781,215	12,256,516	(1,524,699)	(11)
Gross profit	5,601,988	4,739,532	(862,456)	(15)
Operating expenses	5,353,017	5,124,288	(228,729)	(4)
Net operating income (loss)	248,971	(384,756)	(633,727)	(255)
Non-operating income and expenses	48,426	95,203	46,777	97
Net profit before tax (loss) from continuing operations	297,397	(289,553)	(586,950)	(197)
Less: income tax expenses	151,944	152,188	244	-
Net income (loss) in this period	145,453	(441,741)	(587,194)	(404)

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

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

1. The increase in net operating loss for this period was mainly due to the decrease in operating income and gross margin.
2. The increase in non-operating income for this period was mainly due to the increase in proportion of profit or loss of affiliated companies recognized using equity method.
3. The increase in net loss before tax and net loss after tax was mainly due to the decrease in operating income and gross margin.
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 2.

(III) Potential impact on the Company's future financial operations: No significant impact.

III. Cash Flow

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

Year / Item	2018	2019	Increase (decrease) ratio %
Cash flow ratio (%)	12.77	0.78	(93.89)
Cash flow adequacy ratio (%)	53.93	193.65	259.08
Cash re-investment ratio (%)	8.88	(0.81)	(109.12)

Note: 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. The increase in cash flow adequacy ratio during this period was mainly due to the increase in cash flow from operating activities in the last five years in 2019.
3. The decrease in cash reinvestment ratio during this period was mainly due to the decrease in net cash flow from operating activities in 2019.

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

(III) Cash liquidity analysis for the coming year (2020): N/A

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

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

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

1. The Company recognized a loss on investments in the amount of NT$77,895 thousand in the individual financial statements for the year 2019 (gain of NT$ 63,323 thousand on a consolidated basis). The main reason for the loss is that the global market and environment are changing rapidly. Competitors are competing for the market at lower

prices, and the product differentiation is not obvious. As a result, the Company's market advantage has decreased, and the decline in turnover and gross profit has led to losses.

2. Investment and improvement plans for the coming year: The Company’s core objectives are to focus on the value of the D-Link brand, put emphasis on interaction and resonance with consumers, and strive for excellence and sustainable operation. In the coming year, the Company will continue to implement management of its subsidiaries, streamline operating costs, reduce product costs, and improve its financial structure, while, based on a customer service-oriented approach, integrating resources, developing products, strictly controlling quality, optimizing management, carrying out upstream and downstream integration, and innovating business models to meet the needs of clients and market, thereby enhancing the Company's profits.

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

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

Unit: NT$ Thousands

Item	2018	2019
Net interest income or expense	18,209	22,883
Net foreign exchange gain and loss (Note 1)	(57,832)	25,996

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

1. In terms of interest rate, because of operational requirements, the Company's deposits are mainly in US dollar and loans are mainly in the New Taiwan dollar. Interest income and expenses are mainly affected by fluctuations in interest rates between New Taiwan dollar and the US dollar. The US dollar interest rate is higher than that of the New Taiwan dollar, and the US dollar deposit amount is higher than the loans in New Taiwan dollar; therefore, interest rate fluctuations have no significant impact on the Company.
2. In terms of exchange rates, the increase in the US interest rate in 2019 made the US dollar become gradually stronger, which caused the depreciation of non-US currencies and increased the Company's risk of overall exchange rate fluctuations. In order to reduce exchange rate risk, the Company will continue to keep abreast of foreign exchange positions and changes in profit and loss in accordance with the Company's clear foreign exchange operation strategy and strict control procedures in the future, while adjusting the hedging ratio in a timely manner with reference to the exchange rate market volatility to reduce the exposure to the overall foreign exchange risk.
3. According to information from the Directorate-General of Budget, Accounting and Statistics, the inflation rate in Taiwan in 2019 was about 0.56% and there was no significant increase in inflation. Therefore, inflation has no significant impact on the Company's profit and loss. The Company will also closely monitor the general economic changes and changes in market conditions to avoid inflation affecting the Company’s profit or loss.

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

The Company is not engaged in high-risk and high-leverage investments, 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 avoiding foreign exchange risks and reducing exchange rate fluctuations, and is handled in accordance with the relevant regulations of the Company's Handling Procedures for Acquisition or Disposal of Assets and the Procedures for Derivatives Trading. The implementation and the profit and loss situation are reported to the Board of Directors on a regular basis. All relevant information above is disclosed on MOPS on a monthly basis as required for investors' reference.

(III) Future R&D projects and R&D expenditure to be invested:
The estimated R&D expenditure for 2020 is NT$1,165 millions.

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

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

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

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

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

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

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

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

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

1. XR Communications, LLC and dba Vivato Technologies filed a lawsuit against the Company's subsidiary, D-Link Systems, 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.
2. The Company's subsidiary, D-Link India, had disputes regarding prior year's declaration of tariff settlement with the local tax authorities. The Company has assessed and accrued the amount that may be paid.
3. American Patents, LLC filed a lawsuit against the Company in October 2019, alleging that some of the Company' 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.

4. BE Labs, Inc. filed a lawsuit against the Company’s subsidiary, D-Link Systems, in October 2019, 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.
5. Shenzhen Dunjun Technology Co., Ltd. filed a lawsuit against the Company's subsidiary, D-Link Shiang-Hai, in October 2019, alleging that some of the D-Link Shiang-Hai’s products infringed its patents. D-Link Shiang-Hai has retained its attorneys in the China 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.
6. Castlemorton Wireless LLC filed a lawsuit against the Company in January 2020, alleging that some of the Company' 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.
7. Parity Networks LLC filed a lawsuit against the Company in February 2020, alleging that some of the Company’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.
8. STC.UNM filed a lawsuit against the Company in February 2020, alleging that some of the Company’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.
9. The Company’s subsidiary, D-Link Brazil, had disputes regarding prior year's declaration tax on industrialized products with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.

(XIII) Other material risks and response measures: None

VII. Other Important Matters

Chapter 8 Special Disclosure

I. Relevant Information of the Company's Affiliates

(I) Organization structure of affiliated companies : Please refer to page 90.

(II) Basic information of affiliated companies : Please refer to pages 91 to 92.

(III) Shareholders in common of the Company and its subsidiaries with deemed control and subordination : None

(IV) Directors, supervisors, and the president of affiliated companies : Please refer to pages 93 to 95.

(V) Operating status of affiliates : Please refer to pages 96 to 97.

(VI) Consolidated financial statements of affiliated companies : Please refer to pages 98 to 193.

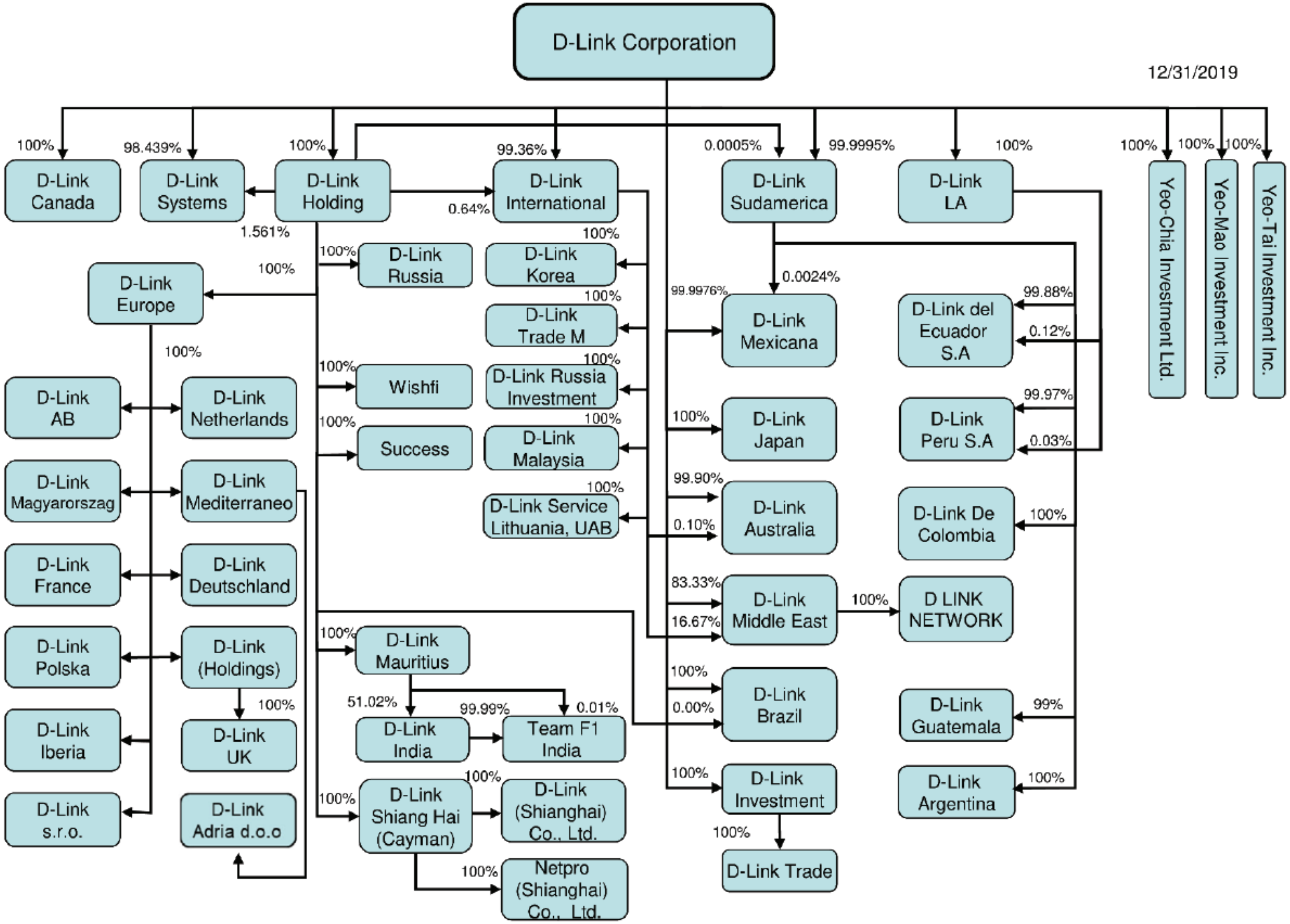
II. Private Placement of Securities in the Most Recent Year up to the Printing Date of this Annual Report : None

III. Holding or Disposal of Shares of the Company by the Company's Subsidiaries during the Most Recent Year up to the Printing Date of this Annual Report : None

IV. Other Necessary Remarks : None

V. Any Event that Results in Substantial Impact on the Shareholders' Equity or Prices of the Company's Securities as Prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that Have Occurred in the Most Recent Year up to the Printing Date of this Annual Report : None

D-Link Group Organization Chart



Basic Information of affiliated companies

Unit: NT$ Thousands

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
D-Link Canada Inc.	1990.02.15	2525 Meadowvale Boulevard, Mississauga, ON, Canada L5N 5S2,	202,514	Marketing and after-sales service
D-Link Systems, Inc.	1986.01.17	17595 Mount Herrmann Street, Fountain Valley, CA 92708, USA	1,535,406	Marketing and after-sales service
D-Link Holding Company Ltd.	1998.06.04	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, B.V.I.	2,049,090	Investment
D-Link (Europe) Ltd.	1995.05.30	Artemis Building, Odyssey Business Park, West End Road,South Ruislip, HA4 6QE	1,502,556	Marketing and after-sales service
D-Link AB	1994.09.14	D-Link AB, BOX 1104, 164 22 Kista, Stockholm, Sweden	7,375	Marketing and after-sales service
D-Link (Magyarorszag) Kft	2007.06.29	Robert Karoly Korut 59, H-1134 Budapest, Hungary	413	Marketing and after-sales service
D-Link France SARL	1990.06.19	14 Place Georges Pompidou, Montigny-le-Bretonneux 78180, France	3,867	Marketing and after-sales service
D-Link Polska Sp Z.o.o.	2006.02.06	ul. Olkuska 7, 02-604 Warsaw, Poland	906	Marketing and after-sales service
D-Link Iberia SL	2000.07.07	Calle Muntaner, 239-253, Floor 3 B 08021 Barcelona, Spain	1,615	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	258	Marketing and after-sales service
D-Link (Netherlands) BV	2001.03.15	Weena 290, 3012 NJ Rotterdam, Netherlands	1,743	Marketing and after-sales service
D-Link Mediterraneo SRL	2000.06.02	Via Negroli 35, 20133 Milano, Italy	1,780	Marketing and after-sales service
D-Link (Deutschland) GmbH	1991.08.14	Schwalbacher Strasse 74 D-65760 Eschborn, Germany	107,712	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	11,901	Marketing and after-sales service
D-Link Adria d.o.o	2011.03.03	Cvjetno naselje II 18, 10 000 Zagreb Croatia	316	Marketing and after-sales service
OOO D-Link Russia	2002.07.25	Graphsky per., 14, 129626 Moscow, Russia	4,717	After-sales services
Wishfi Pte. Ltd.	2009.07.10	No.1 International Business Park #03-12, The Synergy, Singapore 609917	3	R & D, marketing and after sales service
Success Stone Overseas Corp.	2010.01.05	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	295,701	Investment
D-Link Holding Mauritius, Inc.	2000.09.21	10th Floor, Raffles Tower, 19 Cybercity,Ebene, Mauritius	319,258	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	29,948	Marketing and after-sales service
TeamF1 Networks Private Limited	2012.02.06	5th Floor, BlockI, MY Home Hub, Hyderabad Telangana, India	44	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	606,711	Investment
D-link (Shang-Hai) Co., Ltd.	2002.08.13	Room 612, 6F, No. 88, Taigu Road, China (Shanghai) Pilot Free Trade Zone	689,187	Trading of network equipment and wireless communication systems
Netpro Trading (Shang-hai) Co., Ltd.	2001.11.13	8F, Building 1, No. 641 Tianshan Road, Shanghai	21,092	R & D and trading
D-Link International Pte. Ltd.	1994.08.31	No.1 International Business Park #03-12, The Synergy, Singapore 609917	1,808,106	Marketing, procurement and after-sales service

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
D-Link Korea Limited	2011.03.16	(Guro-dong, Woolim E-biz Center 1) RM 1401, 28, Digital-ro 33-gil, Guro-gu, Seoul, 08377 Korea	43,183	Marketing and after-sales service
D-Link Trade M	2013.05.21	MD-2001, Negruzzi C. Blvd., 8, Chisinau, Republic of Moldova	9	Marketing and after-sales service
D-Link Russia Investment Co. Ltd.	2014.01.20	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	684,958	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	5,890	Marketing and after-sales service
D-Link Service Lithuania, UAB	2017.12.05	Zirmunu 139, LT-09120, Vilnius, Lithuania	3,375	Marketing and after-sales service
D-Link Sudamerica S.A.	1999.01.11	Avenida Cerro el Plomo 5420, piso 12, Las Condes, Santiago Chile	4,840	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	242,583	Marketing and after-sales service
D-Link Japan K.K.	2005.07.11	2F, SOWA Gotanda Bldg., 2-7-18 Higashigotanda, Shinagawa-ku, Tokyo 141-0022, Japan	26,315	Marketing and after-sales service
D-Link Australia Pty Ltd.	1991.05.29	6-10 Talavera Rd, North Ryde, NSW 2113, Sydney Australia	21,111	Marketing and after-sales service
D-Link Middle East FZCO	2002.07.17	Plot No.S31,102, P.O. Box: 18,224 Ali 45UAE Free Zone South, Dubai.	4,948	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	221,449	Marketing and after-sales service
D-Link Investment Pte. Ltd.	2013.12.20	No.1 International Business Park #03-12, The Synergy, Singapore 609917	66,233	Investment
OOO D-Link Trade	2010.12.29	Shabulina Proezd 16, 390043, Ryazan, Russia	35,015	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	301,060	Marketing and after-sales service
D-Link del Ecuador S.A.	2006.05.15	CDLA Kennedy norte Av. Francisco Orellana Mz 111 SI,1 Edificio World trade Center Torre A piso 2Of. 206 Guayaquil, Ecuador	24	Marketing and after-sales service
D-Link Peru S.A.	2004.06.01	Calle Mártir José Olaya 129 of. 503 Miraflores ,Centro empresarial Jose Pardo, Lima , Peru	32	Marketing and after-sales service
D-Link de Colombia S.A.S.	2006.07.07	Autopista Medellín Km 2 Parque Empresarial Tecnológico Torre A Piso 3, Cota, Bogota Colombia	13,262	Marketing and after-sales service
D-Link Guatemala S.A.	2005.12.07	Guatemala C.A.	19	Marketing and after-sales service
D-Link Argentina S.A.	2006.08.02	Buenos Aires - Argentina	1,418	Marketing and after-sales service
Yeo-Chia Investment Ltd.	1997.02.21	6F., No. 289, Xinhu 3rd Rd., Neihu Dist., Taipei City	204,000	Investment
Yeo-Mao Investment Ltd.	1995.11.03	6F., No. 289, Xinhu 3rd Rd., Neihu Dist., Taipei City	102,203	Investment
Yeo-Tai Investment Ltd.	1999.12.17	6F., No. 289, Xinhu 3rd Rd., Neihu Dist., Taipei City	146,000	Investment

Directors, supervisors, and presidents of affiliates

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Canada Inc.	Director	Howard Kao		0.00
	President	Lou Reda		0.00
D-Link Systems, Inc.	Director	William Brown		0.00
	President	Lou Reda		0.00
D-Link Holding Co. Ltd	Director	Howard Kao		0.00
	Director	Shu-Chen Yu		0.00
D-Link (Europe) Ltd.	Director	GK Lee		0.00
	Director	Shu-Chen Yu		0.00
	Director and President	Kevin Wen Huang Wen		0.00
D-Link AB	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Thomas von Baross		0.00
D-Link (Magyarorszag) Kft	Director	Kevin Wen Huang Wen		0.00
	Director and President	Thomas von Baross		0.00
	Supervisors	Rick C.Y. Chen		0.00
	Supervisors	Chunglin Chen		0.00
D-Link France SARL	Director	Kevin Wen Huang Wen		0.00
	Director and President	Stefano Nordio		0.00
D-Link Polska Sp. Z o.o.	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Thomas von Baross		0.00
D-Link Iberia SL	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Stefano Nordio		0.00
D-Link s.r.o	Director and President	Thomas von Baross		0.00
	Director	Monica Reccius		0.00
D-Link (Netherlands) BV	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Thomas von Baross		0.00
D-Link Mediterraneo SRL	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Stefano Nordio		0.00
D-Link (Deutschland) GmbH	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Thomas von Baross		0.00
D-Link (Holdings) Ltd. Co.	Director	Kevin Wen Huang Wen		0.00
D-Link (UK) Ltd.	Director	Kevin Wen Huang Wen		0.00
D-Link Adria d.o.o	Director	Kevin Wen Huang Wen		0.00
	Director	Rick C.Y. Chen		0.00
	Director and President	Stefano Nordio		0.00
OOO D-Link Russia	Director and President	Vladimir Lipping		0.00
Wishfi Pte Ltd.	Director	Chia-Yu Chang		0.00
	Director	Sally Yang		0.00
Success Stone Overseas Corp.	Director	Alex Chiang		0.00
	Director	Shu-Chen Yu		0.00
D-Link Holding Mauritius, Inc.	Director	GK Lee		0.00
	Director	Shu-Chen Yu		0.00
	Director	Karen Ah Soon		0.00
	Director	Nathalie Wong		0.00

Name	Title	Name or representative	Shareholding	
D-Link (India) Ltd.	Chairman	Howard Kao		0.00
	Director	Mukesh Lulla	2,730,000	7.69
	Independent Director	Rajaram Ajgaonkar		0.00
	Independent Director	Madhu Gadodia		0.00
	Independent Director	Satish Godbole	50	0.00
	Director and CEO	Tushar Sighat	16,427	0.04
TeamF1 Networks Private Limited	Chairman	Tushar Sighat		0.00
	Director	ML Chien		0.00
	Director	Rajaram Pralhadrao Jadhav		0.00
	President	Venkateswara Rao Chitturi		0.00
D-Link Shiang-Hai (Cayman) Inc.	Director	Howard Kao		0.00
	Director	Shu-Chen Yu		0.00
D-link (Shang-Hai) Co., Ltd.	Chairman	Shu-Chen Yu		0.00
	Director	ML Chien		0.00
	Director and President	Shu-Chieh Hsu		0.00
	Supervisors	Chia-Ying Chuang		0.00
Netpro Trading (Shang-hai) Co., Ltd.	Chairman	Shu-Chen Yu		0.00
	Director	ML Chien		0.00
	Director	Shu-Chieh Hsu		0.00
	Supervisors	Chia-Ying Chuang		0.00
D-Link International Pte Ltd.	Director and President	Chia-Yu Chang		0.00
	Director	Howard Kao		0.00
	Director	Shu-Chen Yu		0.00
D-Link Korea Ltd	Chairman	Chia-Yu Chang		0.00
	Director	Shu-Chen Yu		0.00
D-Link Trade M	Director	Denis Culicovschi		0.00
	President	Vladimir Lipping		0.00
D-Link Russia Investment Co. Ltd.	Director	Howard Kao		0.00
	Director	Shu-Chen Yu		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	Director	Shu-Chen Yu		0.00
	Director	Ramune Drobaviciene		0.00
D-Link Sudamerica S.A.	Legal Representative	Shu-Chen Yu		0.00
D-Link Mexicana S.A de C.V	Director	Howard Kao		0.00
	Legal Representative	Shu-Chen Yu		0.00
D-Link Japan K.K.	Chairman	Chia-Jui Chang		0.00
	President	Chin-Hsin Liao		0.00
	Director	Howard Kao		0.00
	Supervisor	Shu-Chen Yu		0.00
D-Link Australia Pty Ltd.	Director	Chih-Chang Chiang		0.00
	Director	Shu-Chen Yu		0.00
	Director and President	Graeme Reardon		0.00
	Director	Shu-Chen Yu		0.00
	Director	GK Lee		0.00
	Director	Yao Chuan Yang		0.00
	Director	Ching-Hsun Liang		0.00
	Director	Chih-Chang Chiang		0.00
	Legal Representative	José Roberto A.M.Filho		0.00
	Director	Howard Kao		0.00
	Director	Chia-Yu Chang		0.00
	Director and President	Vladimir Lipping		0.00

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
D-Link Latin-America Company Ltd.	Director	Howard Kao		0.00
	Director	Shu-Chen Yu		0.00
D-Link del Ecuador S.A.	Legal Representative	FALQUEZ OCAÑA DOLORES PATRICIA		0.00
D-Link Peru S.A.	Legal Representative	Shu-Chen Yu		0.00
D-Link de Colombia S.A.S.	Legal Representative	Shu-Chen Yu		0.00
D-Link Guatemala S.A.	Legal Representative	Shu-Chen Yu		0.00
D-Link Argentina S.A.	Legal Representative	Ricardo Scherianz		0.00
Yeo-Chia Investment Ltd.	Director	Shu-Chen Yu		0.00
Yeo-Mao Investment Ltd.	Chairman	Shu-Chen Yu		0.00
	Director	Hans Liu		0.00
Yeo-Chia Investment Ltd.	Chairman	Shu-Chen Yu		0.00
	Director	Hans Liu		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.

Operation Status of the affiliates

Unit: NT$ Thousands

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.	202,514	534,818	169,577	365,241	687,269	12,670	10,341	1
D-Link Systems, Inc.	1,535,406	1,954,990	430,695	1,524,295	1,092,882	35,335	(5,657)	—
D-Link Holding Company Ltd.	2,049,090	1,778,204	26,954	1,751,250	—	(369)	9,908	—
D-Link (Europe) Ltd.	1,502,556	2,433,688	1,168,071	1,265,617	3,385,780	53,195	26,940	1
D-Link AB	7,375	23,114	9,555	13,559	48,685	1,791	1,182	76
D-Link (Magyarorszag) Kft	413	11,900	1,201	10,699	16,687	495	66	220
D-Link France SARL	3,867	114,090	78,441	35,649	569,671	7,064	4,960	43
D-Link Polska Sp. Z o.o.	906	29,899	3,096	26,803	60,622	2,078	1,812	18,120
D-Link Iberia SL	1,615	210,014	156,870	53,144	465,786	7,209	5,432	109
D-Link s.r.o.	258	9,842	531	9,311	9,331	331	231	2,310
D-Link (Netherlands) BV	1,743	9,577	3,829	5,748	24,238	901	531	11
D-Link Mediterraneo SRL	1,780	194,784	175,527	19,257	565,791	5,778	(6,700)	(134)
D-Link (Deutschland) GmbH	107,712	260,011	92,080	167,931	618,180	(693)	6,192	N/A
D-Link (Holdings) Ltd.	—	9,679	—	9,679	—	—	—	—
D-Link (UK) Ltd.	11,901	9,679	—	9,679	—	—	—	—
D-Link Adria d.o.o	316	1,354	69	1,285	2,760	40	27	N/A
OOO D-Link Russia	4,717	5,927	24	5,903	304	(180)	(48)	N/A
Wishfi Pte. Ltd.	3	2,132	60,828	(58,696)	—	(219)	(219)	—
Success Stone Overseas Corp.	295,701	186,124	1,817	184,307	—	(18,279)	(477)	(49)
D-Link Holding Mauritius, Inc.	319,258	824,951	—	824,951	—	(444)	68,469	342
D-Link (India) Ltd.	29,948	1,586,407	662,305	924,102	3,283,520	193,358	135,946	4
TeamF1 Network Private Ltd.	44	78,847	26,287	52,560	62,809	1,650	45	4
D-Link Shiang-Hai (Cayman) Inc.	606,711	—	504,010	(504,010)	—	—	(84,764)	(1,695)
D-Link (Shang-Hai) Co., Ltd.	689,187	184,936	695,621	(510,685)	295,473	(88,887)	(85,541)	N/A
Netpro Trading (Shang-hai) Co., Ltd.	21,092	17,625	7,153	10,472	48,545	1,147	777	N/A
D-Link International Pte. Ltd.	1,808,106	5,867,702	3,566,209	2,301,493	9,175,325	(229,903)	(269,837)	(4)
D-Link Korea Ltd.	43,183	33,542	69,571	(36,029)	88,050	(2,786)	(5,448)	(16)
D-Link Trade M	9	599	1,376	(777)	1,141	103	78	N/A

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 Russia Investment Co. Ltd.	684,958	752,553	—	752,553	—	(65)	(90,399)	(4)
D-Link Malaysia Sdn Bhd	5,890	17,577	10,362	7,215	22,509	1,072	971	1
D-Link Service Lithuania, UAB	3,375	10,178	7,184	2,994	12,958	525	488	488
D-Link Sudamerica S.A.	4,840	30,684	36,165	(5,481)	38,508	(9,013)	(6,788)	(34)
D-Link Mexicana S.A de C.V	242,583	19,307	12,107	7,200	6,107	(1,855)	(1,025)	(7)
D-Link Japan K.K.	26,315	939,982	277,652	662,330	856,323	74,783	49,410	5,201
D-Link Australia Pty Ltd.	21,111	263,962	127,706	136,256	439,801	(4,698)	(5,360)	(5)
D-Link Middle East FZCO	4,948	1,349,592	504,526	845,066	2,463,184	33,000	32,768	5,461,333
D Link Network	—	—	—	—	—	—	—	—
D-Link Brazil LTDA.	221,449	406,080	387,504	18,576	274,711	(15,307)	(30,179)	—
D-Link Investment Pte. Ltd.	66,233	5,240	149,613	(144,373)	—	(232)	19,374	9
OOO D-Link Trade	35,015	648,885	791,950	(143,065)	1,615,937	(51,753)	19,606	N/A
D-Link Latin-America Company Ltd.	301,060	102,194	634,800	(532,606)	—	466	466	11
D-Link del Ecuador S.A.	24	924	387	537	202	(63)	15	19
D-Link Peru S.A.	32	10,310	17,592	(7,282)	15,896	645	1,001	286
D-Link de Colombia S.A.S.	13,262	20,797	12,267	8,530	6,528	85	(102)	—
D-Link Guatemala S.A.	19	881	324	557	—	—	—	—
D-Link Argentina S.A.	1,418	246	107	139	—	(39)	(70)	(700)
Yeo-Chia Investment Ltd.	204,000	321,203	120	321,083	—	(208)	5,191	N/A
Yeo-Mao Investment Ltd.	102,203	76,567	20,242	56,325	—	(274)	(1,224)	—
Yeo-Tai Investment Ltd.	146,000	59,778	129	59,649	—	(274)	8,702	1

Representation Letter

The entities that are required to be included in the combined financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2019 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 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: D-LINK CORPORATION
Chairman: Gao Ju Investment Co., Ltd. Hu, Xue
Date: March 18, 2020

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Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

We have audited the consolidated financial statements of D-LINK CORPORATION and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 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 Matter

We did not audit the financial statements of D-Link International Pte. Ltd., a subsidiary of the D-LINK CORPORATION. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for D-Link International Pte. Ltd., is based solely on the report of another auditor. The financial statements of D-Link International Pte. Ltd. reflect the total assets constituting 5% of the consolidated total assets at December 31, 2019 and 2018, respectively, and the total revenues constituting 8% of the consolidated total revenues for the years ended December 31, 2019 and 2018, respectively.

D-LINK CORPORATION has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matters paragraph.

Key Audit Matters

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

1. Valuation of inventories

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

   Most inventories of the Consolidated Company are internet solution products, which are measured at the lower of cost or net realizable value. As a result of competitive and rapidly changing environment where the Consolidated Company is located in, its internet solution products may become out-of-date and can no longer meet the market demand resulting in a fluctuation on the prices of these products. The estimation of the net realizable value involves a subjective judgment of the Consolidated Company's management, which may result in a risk on inventory cost to 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. For the net realizable value basis adopted by the Consolidated Company's management and evaluate the reasonableness. Furthermore, we assessed the appropriateness of the Consolidated Company management's estimation on 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 account receivables, and Note 6(c) for the analysis of account receivables and aging analysis.

   Key Audit Matter Explanation:

   The Consolidated Company evaluates the recoverability of its account receivables 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 the 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 surrounding the receivable collection and reviewed their records, then sent letters of confirmation to the counterparties of the Consolidated Company. In order to assess the reasonableness of the Consolidated Company's valuation of allowance for doubtful account, we evaluated the management's assumption used for valuation and the previous year's collection situation to assess whether there is any significant abnormality in the expected credit losses of the accounts receivable. We also assessed the appropriateness of the Consolidated Company's relevant disclosure of account receivables.

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3. Revenue recognition

   Please refer to Note 4(r) for accounting policy of revenue recognition and Note 6(t) 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, 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 surrounding revenue recognition; reviewed sales contracts and relevant sales documents to evaluate whether the timing and the amount of revenue recognition are consistent with the sales contracts; 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, 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 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.

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

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

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Taipei, Taiwan (Republic of China)
March 18, 2020

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 and Report Originally Issued in Chinese)

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,141,284	20	4,424,864	25
1110	Financial assets at fair value through profit or loss ─ current (notes 6(b))	70,549	-	8,548	-
1150	Notes receivable, net (note 6(c))	8,802	-	29,541	-
1170	Accounts receivable, net (note 6(c))	3,575,633	23	4,249,038	24
1180	Accounts receivable due from related parties, net (note 7)	217	-	217	-
1197	Finance lease payment receivable (note 6(d))	30,595	-	-	-
1200	Other receivables (notes 6(c) and 7)	61,806	-	91,417	-
1220	Current tax assets	40,144	-	33,096	-
130X	Inventories (note 6(e))	2,836,939	18	3,111,559	18
1470	Other current assets (notes 7 and 8)	395,518	3	381,409	2
		10,161,487	64	12,329,689	69
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income non-current (note 6(b))	440,095	3	482,011	3
1550	Investments accounted for using equity method (note 6(f))	2,029,686	13	2,208,160	13
1600	Property, plant and equipment (note 6(h))	1,081,754	7	1,101,557	6
1755	Right-of-use assets (note 6(i))	554,077	4	-	-
1760	Investment property, net (note 6(j))	39,669	-	40,065	-
1780	Intangible assets (note 6(k))	586,308	4	622,270	4
1840	Deferred tax assets (note 6(s))	634,247	4	533,467	3
1900	Other non-current assets (note 8)	183,687	1	289,604	2
		5,549,523	36	5,277,134	31
	Total assets	**$ 15,711,010**	**100**	**17,606,823**	**100**

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (note 6(l))	$ -	-	950,000	5
2120	Financial liabilities at fair value through profit or loss ─ current (notes 6(b) and (p))	86,330	1	28,929	-
2130	Contract liabilities ─ current (note 6(v))	117,443	1	138,989	1
2150	Notes payable	577	-	395	-
2170	Accounts payable	1,985,581	13	2,212,938	13
2180	Accounts payable to related parties (note 7)	926,767	6	1,308,330	7
2200	Other payables (note 7)	1,471,000	9	1,692,891	10
2230	Current tax liabilities	41,155	-	78,860	1
2250	Provisions ─ current (note 6(n))	207,735	1	204,548	1
2280	Current lease liabilities (note 6(m))	162,888	1	-	-
2300	Other current liabilities (note 6(p))	352,814	2	439,869	3
2365	Refund liability ─ current (note 6(o))	585,189	4	607,595	3
		5,937,479	38	7,663,344	44
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(s))	168,696	1	5,968	-
2580	Non-current lease liabilities (note 6(m))	441,586	3	-	-
2600	Other non-current liabilities (notes 6(r) and 7)	237,210	2	320,579	2
		847,492	6	326,547	2
	Total liabilities	6,784,971	44	7,989,891	46
	Equity attributable to owners of parent: (note 6(t))				
3110	Ordinary shares	6,519,961	41	6,519,961	37
3200	Capital surplus	1,598,807	10	1,669,905	9
	Retained earnings:				
3310	Legal reserve	2,053,379	13	2,107,941	12
3320	Special reserve	205,562	1	-	-
3350	Unappropriated retained earnings (Accumulated deficit)	(499,008)	(3)	216,200	1
		1,759,933	11	2,324,141	13
3400	Other equity interest	(1,405,287)	(9)	(1,314,520)	(7)
	Total equity attributable to owners of parent:	8,473,414	53	9,199,487	52
36XX	Non-controlling interests (notes 6(g) and (t))	452,625	3	417,445	2
	Total equity	8,926,039	56	9,616,932	54
	Total liabilities and equity	**$ 15,711,010**	**100**	**17,606,823**	**100**

See accompanying notes to consolidated financial statements.

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

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019 Amount	2019 %	2018 Amount	2018 %
4000	**Net operating revenues** (notes 6(r) and 7)	$ 16,996,048	100	19,383,203	100
5000	**Operating costs (notes 6(e), (r) and 7)**	12,256,516	72	13,781,215	71
	Gross profit (loss) from operations	4,739,532	28	5,601,988	29
	Operating expenses: (notes 6(c), (h), (i), (j), (m), (q), (r) and (w))				
6100	Selling expenses	3,168,206	19	3,308,581	17
6200	Administrative expenses	934,954	5	1,006,670	5
6300	Research and development expenses	1,064,731	6	1,008,798	5
6450	Expected credit loss (gain) (note 6(c))	(43,603)	-	28,968	-
		5,124,288	30	5,353,017	27
	Net operating income (loss)	(384,756)	(2)	248,971	2
	Non-operating income and expenses:				
7010	Other income (notes 6(q), (x) and 7)	48,642	-	45,965	-
7020	Other gains and losses (note 6(p), (x) and 7)	23,678	-	41,828	-
7050	Finance costs (notes 6(m), (p) and (x))	(40,440)	-	(24,114)	-
7060	Share of profit (loss) of associates accounted for using equity method (note 6(f))	63,323	-	(15,253)	-
	Total non-operating income and expenses	95,203	-	48,426	-
	Profit (loss) before tax	(289,553)	(2)	297,397	2
7950	**Less: Income tax expenses (note 6(s))**	152,188	1	151,944	1
	Profit (loss)	(441,741)	(3)	145,453	1
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	5,070	-	(3,751)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(11,305)	-	1,042	-
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	2,019	-	(68,625)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(4,216)	-	(71,334)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(t) and (y))**				
8361	Exchange differences on translation	(86,804)	-	(42,179)	(1)
8368	Gains (losses) on hedging instrument	-	-	(1,109)	-
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	(10,826)	-	15,745	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	4,016	-	(16,892)	-
		(93,614)	-	(44,435)	(1)
8300	**Other comprehensive loss, net**	(97,830)	-	(115,769)	(1)
	Total comprehensive income	**$ (539,571)**	**(3)**	**29,684**	
	Net income (loss), attributable to:				
	Owners of parent	$ (508,327)	(3)	106,374	1
	Non-controlling interests	66,586	-	39,079	-
		$ (441,741)	**(3)**	**145,453**	**1**
	Comprehensive income attributable to:				
	Owners of parent	$ (585,979)	(3)	13,962	-
	Non-controlling interests	46,408	-	15,722	-
		$ (539,571)	**(3)**	29,684	-
	Basic earnings per share (New Taiwan dollars) (note 6(u))	**$ (0.78)**		**0.16**	
	Diluted earnings per share (New Taiwan dollars) (note 6(u))	**$ (0.78)**		**0.16**	

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
			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	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Others	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 6,519,961	1,588,696	2,107,941	-	(203,814)	(1,102,381)	-	152,864	1,109	(44,400)	(17,912)	9,002,064	405,706	9,407,770
Effects of retrospective application	-	-	-	-	226,054	-	(73,190)	(152,864)	-	-	-	-	-	-
Equity at beginning of period after adjustments	6,519,961	1,588,696	2,107,941	-	22,240	(1,102,381)	(73,190)	-	1,109	(44,400)	(17,912)	9,002,064	405,706	9,407,770
Profit	-	-	-	-	106,374	-	-	-	-	-	-	106,374	39,079	145,453
Other comprehensive income	-	-	-	-	(4,601)	(49,230)	(66,734)	-	(1,109)	29,262	-	(92,412)	(23,357)	(115,769)
Total comprehensive income	-	-	-	-	101,773	(49,230)	(66,734)	-	(1,109)	29,262	-	13,962	15,722	29,684
Other changes in capital surplus:														
Changes in equity of associates accounted for using equity method	-	73,950	-	-	84,340	-	-	-	-	-	-	158,290	-	158,290
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,983)	(3,983)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,847	-	(7,847)	-	-	-	-	-	-	-
Treasury shares sold to employees	-	7,259	-	-	-	-	-	-	-	-	17,912	25,171	-	25,171
Balance at December 31, 2018	6,519,961	1,669,905	2,107,941	-	216,200	(1,151,611)	(147,771)	-	-	(15,138)	-	9,199,487	417,445	9,616,932
Effects of retrospective application (accounted for using equity method)	-	-	-	-	(3,796)	-	-	-	-	-	-	(3,796)	-	(3,796)
Equity at beginning of period after adjustments	6,519,961	1,669,905	2,107,941	-	212,404	(1,151,611)	(147,771)	-	-	(15,138)	-	9,195,691	417,445	9,613,136
Profit (loss)	-	-	-	-	(508,327)	-	-	-	-	-	-	(508,327)	66,586	(441,741)
Other comprehensive income	-	-	-	-	1,205	(85,090)	(5,421)	-	-	11,654	-	(77,652)	(20,178)	(97,830)
Total comprehensive income	-	-	-	-	(507,122)	(85,090)	(5,421)	-	-	11,654	-	(585,979)	46,408	(539,571)
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	10,638	-	(10,638)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	205,562	(205,562)	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:														
Changes in equity of associates accounted for using equity method	-	(5,898)	-	-	-	-	-	-	-	-	-	(5,898)	-	(5,898)
Cash dividends from legal reserve	-	-	(65,200)	-	-	-	-	-	-	-	-	(65,200)	-	(65,200)
Cash dividends from capital surplus	-	(65,200)	-	-	-	-	-	-	-	-	-	(65,200)	-	(65,200)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(11,228)	(11,228)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	11,910	-	(11,910)	-	-	-	-	-	-	-
Balance at December 31, 2019	$ 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

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

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ (289,553)	297,397
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	271,684	113,941
Amortization expense	56,085	45,284
Expected credit loss (gain)	(43,603)	28,968
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	82,774	(62,735)
Interest expense	40,440	24,114
Interest income	(41,921)	(42,323)
Dividend income	(4,909)	(1,713)
Compensation cost of share-based payment transaction	-	7,247
Share of loss (profit) of associates accounted for using equity method	(63,323)	15,253
Gain on disposal of investments	(36,016)	(77,934)
Reversal of impairment loss on non financial assets	-	(8,000)
Other	(67,363)	(15,146)
Total adjustments to reconcile profit (loss)	193,848	26,956
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(64,871)	2,752
Decrease in notes receivable	20,739	4,005
Decrease in accounts receivable	710,810	279,687
Decrease in accounts receivable due from related parties	-	261
Decrease in other receivable	29,611	781
Decrease in inventories	372,202	135,950
Increase in other current assets	(19,938)	(30,675)
Decrease in other non-current assets	11,770	25,572
Total changes in operating assets	1,060,323	418,333
Increase (decrease) in contract liabilities	(21,546)	45,738
Increase (decrease) in notes payable	182	(247)
Increase (decrease) in accounts payable	(227,357)	355,114
Decrease in accounts payable to related parties	(381,563)	(187,404)
Decrease in other payable	(235,112)	(86,918)
Decrease in provisions	(36,402)	(19,232)
Increase in refund liabilities	46,417	90,970
Increase in other current liabilities	4,024	6,690
Decrease in other non-current liabilities	(51,063)	(39,517)
Total changes in operating liabilities	(902,420)	165,194
Total changes in operating assets and liabilities	157,903	583,527
Total adjustments	351,751	610,483
Cash inflow generated from operations	62,198	907,880
Interest received	41,921	42,323
Dividends received	121,671	135,577
Interest paid	(48,552)	(17,580)
Income taxes paid	(130,977)	(89,528)
Net cash flows from operating activities	46,261	978,672
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	28,833	31,640
Proceeds from disposal of investments accounted for using equity method	28,968	173,501
Acquisition of property, plant and equipment	(72,356)	(63,462)
Proceeds from disposal of property, plant and equipment	2,398	34,814
Decrease (increase) in refundable deposits	50,368	(27,709)
Acquisition of intangible assets	(26,929)	(62,568)
Other investing activities	777	784
Net cash flows from investing activities	12,059	87,000
Cash flows used in financing activities:		
Decrease in short-term loans	(950,000)	(300,000)
Increase (decrease) in guarantee deposits received	16,543	(18,439)
Payment of lease liabilities	(180,011)	-
Cash dividends paid	(130,400)	-
Treasury shares sold to employees	-	17,924
Change in non-controlling interests	(11,228)	(3,983)
Net cash flows used in financing activities	(1,255,096)	(304,498)
Effect of exchange rate changes on cash and cash equivalents	(86,804)	(42,179)
Net increase (decrease) in cash and cash equivalents	(1,283,580)	718,995
Cash and cash equivalents at beginning of period	4,424,864	3,705,869
Cash and cash equivalents at end of period	**$ 3,141,284**	**4,424,864**

See accompanying notes to consolidated financial statements.

(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 Affair, Republic of China ("ROC"). The address of its registered office is No.289, Xinhu 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 18, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

Except for the following items, the Consolidated Company believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Consolidated Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

(Continued)

1) Definition of a lease

Previously, the Consolidated Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Consolidated Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Consolidated Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Consolidated Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Consolidated Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Consolidated Company. Under IFRS 16, the Consolidated Company recognizes right-of-use assets and lease liabilities for most leases on-balance sheet.

The Consolidated Company decided to apply recognition exemptions to short-term leases of office building and leases of office equipment.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Consolidated Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Consolidated Company applied this approach to all other lease.

  In addition, the Consolidated Company used the following practical expedients when applying IFRS 16 to leases.

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

  — Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

  — Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) As a lessor

The Consolidated Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Consolidated Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Consolidated Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Consolidated Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Consolidated Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Consolidated Company recognised additional $653,784 thousand of right-of-use assets, $79,836 thousand of finance lease payment receivable and $742,889 thousand of lease liabilities, and recognized deduction $5,052 thousand of other current assets and $14,321 thousand of other payables. In addition, the impact of adoption from investment accounted for using equity method on January 1, 2019, the Consolidated Company derecognised additional $3,796 thousand of retained earnings. When measuring lease liabilities, the Consolidated Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.26%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Consolidated Company's consolidated financial statements	$ 758,349
Recognition exemption for:	
short-term leases	(26,413)
contracts reassessed as service agreements	(15,049)
Extension and termination options reasonably certain to be exercised	60,386
	$ 777,273
Discounted using the incremental borrowing rate at January 1, 2019	$ 742,889
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 742,889**

(Continued)

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Except for the following items, the Consolidated Company believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

Amendments to IFRS 3 “Business Combinations”

This amendment is a narrow-scope to improve the definition of a business and will likely result in more acquisitions being accounted for as asset acquisitions. This amendment is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The Consolidated Company do not anticipate that the application of this Standard will have a material impact on the Consolidated Company’ s consolidated financial statements, but may have an impact on the assessment and accounting for future acquisitions.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

(Continued)

Those which may be relevant to the Consolidated Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

(4) Summary of significant accounting policies:

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

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
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 %	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	Yeo-Chia Investment Ltd. (YEOCHIA)	Investment company	100.00 %	100.00 %	
The Company	Yeo-Mao Investment Inc. (YEOMAO)	Investment company	100.00 %	100.00 %	
The Company	Yeo-Tai Investment Inc. (YEOTAI)	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Hong Kong Ltd. (D-Link Hong Kong)	Investment company	-	100.00 %	Dissolation in November 2019
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 and development, marketing and after-sales service	100.00 %	100.00 %	
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company and 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 (Magyarorszag) kft (D-Link Magyarorszag)	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 Europe	D-Link Adria d.o.o	Marketing and after-sales service	- %	100.00 %	Reorganization
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)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Mediterraneo	D-Link Adria d.o.o	Marketing and after-sales service	100.00 %	-	Reorganization
D-Link Sudamerica and D-Link L.A.	D-Link del Ecuador S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link 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 %	-	Incorporated in December 2019

(iii) List of subsidiaries which are not included in the consolidated financial statement: None.

(d) Business combination

The Consolidated Company measures the goodwill by evaluating the fair value of the consideration at the acquisition date by deducting the assumed identifiable assets and liabilities. Acquisition-related costs should be recognized as expenses in the periods in which the costs are incurred except those costs that issue debt or equity securities.

(e) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Consolidated Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. 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 Consolidated Company's functional currency at exchange rates at the reporting date. Income and expenses of foreign operations are translated to the Consolidated Company's functional currency at average exchange rate for the period. Foreign currency 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 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.

(Continued)

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 Consolidated 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 it is settlement by the issue of equity instruments do not affect its classification.

(g) Cash and cash equivalents

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

(h) Financial Instruments

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

(i) Financial assets

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

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

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 ‘trade receivables’ 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)

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 Consolidated 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 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.

(Continued)

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

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

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

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

· terms that may adjust the contractual coupon rate, including variable rate features;

· prepayment and extension features; and

· terms that limit the Consolidated Company’s claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, fianacial 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 Consolidated Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

 (Continued)

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

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

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

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 Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs 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 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 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 charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

(Continued)

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Exchangeable bonds

Exchangeable bonds issued by the 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.

 (Continued)

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

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

At initial designated hedging relationships, the Consolidated Company documents the risk management objectives 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 items 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.

 (Continued)

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

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for 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 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.

(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 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 consolidated financial statements include the Consolidated 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 Consolidated Company from the date that significant influence commences until the date that significant influence ceases.

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

(Continued)

If an associate issues new shares and the Consolidated 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 Consolidated Company had directly disposed of the related assets or liabilities.

(k) Investment property

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

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

Rental income from investment property is recognized as 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.

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the 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 straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

1) Buildings and improvements: 5~60 years

2) Transportation, office equipment and others: 2~9 years

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

(iv) Reclassification to investment property

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

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Cosolidated Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Cosolidated Company has the right to direct the use of the asset throughout the period of use only if either:

- the Cosolidated Company has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the Consolidated Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the Consolidated Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

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 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.

(Continued)

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 that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

(iii) As a leasor

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, not with reference to the underlying asset. 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 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 Consolidated Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as rental income'.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(Continued)

(ii) Lessee

Leases are classified as operating leases if it doesn't transfer substantially all the risks and rewards incidental to ownership. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the lease term.

(n) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arises from acquisition of subsidiaries is 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 asset

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

(iii) Subsequent expenditure

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

(iv) Amortization

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

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

1) Computer software: 1~8 years

2) Patents: Amortization is recognized using the term of patent contract. The estimated live is 11~16 years

3) Other intangible asset: 3 years

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 – non-derivative 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

(p) Provisions

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

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(q) Treasury stocks

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Share Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

(Continued)

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(r) 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.

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

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

In case of fixed-price contracts, the customers 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.

 (Continued)

(s) 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. YEOCHIA, YEOMAO, YEOTAI, D-Link Holding and other holding companies do not have employees on the payroll, and therefore, do not have a pension plan. D-Link Europe and other subsidiaries adopt pension plans in accordance with the local authorities that recognized pension expenses based on the contributions in that year. Subsidiaries in China contribute retirement annuity funds based on the statutory rate on employees payroll and the pension expenses are recognized in profit or loss for the year.

(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 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 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.

(Continued)

(t) Share-based payment

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

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

(u) 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 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 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.

(Continued)

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

(v) Earnings per share

The Consolidated 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.

(w) 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). The operating results of all 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 has its financial information.

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

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

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

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

(a) Impairment of Account receivable

The Consolidated Company has estimated the loss allowance of trade 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 account receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Consolidated Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on 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.

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	3,211	4,399
Checking and saving accounts		2,342,204	2,346,161
Cash equivalents		795,869	2,074,304
	$	3,141,284	4,424,864

Please refer to 6(z) 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:

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss - current		
Beneficiary certificates – mutual funds	$ 67,618	-
Cross currency swaps	2,474	6,189
Forward foreign exchange contracts	457	2,359
Financial assets at fair value through profit or loss – current		
	$ 70,549	**8,548**
Financial liabilities at fair value through profit or loss – current		
Cross currency swaps	$ 12,802	3,617
Forward foreign exchange contracts	8,148	5,996
Exchangeable corporate bonds embeded derivative	65,380	19,316
	$ 86,330	**28,929**
Financial assets at fair value through other comprehensive income – non-current		
Cameo Communication, Inc. (CAMEO)	$ 359,778	389,101
IC Plus Corp. (ICPC)	-	16,046
Z-Com, Inc. (Z-Com)	40,483	33,632
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	2,245	4,160
Kaimei Electronic Corp. (Kaimei)	37,274	38,786
Venture Power Group Limited (Venture Power)	315	286
	$ 440,095	**482,011**

1) Kaimei — the Consolidated Company's investee company accounted for as financial asset at fair value through other comprehensive income, has announced to become a 100% subsidiary of Teapo Electronic Corp. (Teapo) via share conversion in March 2019, with September 30, 2019 as the reference date of the share exchange, and the date of completion of the related procedures, based on the resolution made during the shareholders' meeting in June 2019. The Consolidated Company recognized its retained earning amounted to $168 thousand. In October 2019, Teapo changed its name to Kaimei.

 (Continued)

2) For disclosures on credit, currency and interest rate risks in financial instruments please refer to note 6(z).

3) As of December 31, 2019 and 2018, 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:

	2019		2018	
Security price at reporting date	**After-tax other comprehensive income (loss)**	**After-tax profit (loss)**	**After-tax other comprehensive income (loss)**	**After-tax profit (loss)**
Increase 3%	$ 13,184	1,582	14,460	-
Decrease 3%	$ (13,184)	(1,582)	(14,460)	-

(iii) (Non-hedging) derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Consolidated Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2019 and 2018, transactions that do not qualify for hedging accounting are presented as held-for-treading financial assets were as follows:

1) Derivative financial assets

	December 31, 2019			December 31, 2018		
	Contract amount (thousand)	**Currency**	**Maturity date**	**Contract amount (thousand)**	**Currency**	**Maturity date**
Cross currency swaps:						
JPY	$ 1,800,000	JPY	2020.7 ~2020.12	1,000,000	JPY	2019.12
RUB	192,014	RUB	2020.01 ~2020.02	-	-	-
Forward foreign exchange contracts:						
AUD (sell)	-	-	-	2,000	AUD	2019.01
CAD (sell)	-	-	-	2,500	CAD	2019.02
EUR (sell)	-	-	-	2,000	EUR	2019.02
JPY (sell)	220,000	JPY	2020.01 ~2020.02	-	-	-
USD (buy)	2,500	USD	2020.01	-	-	-

(Continued)

2) Derivative financial liabilities

	December 31, 2019			December 31, 2018		
	Contract amount (thousand)	**Currency**	**Maturity date**	**Contract amount (thousand)**	**Currency**	**Maturity date**
Cross currency swaps:						
USD	$ 22,900	USD	2020.01 ~2020.03	2,000	USD	2019.03
CNH	95,880	CNH	2020.01 ~2020.02	100,681	CNH	2019.01 ~2019.02
EUR	12,000	EUR	2020.01 ~2020.02	-	-	-
GBP	1,100	GBP	2020.01 ~2020.02	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	7,000	EUR	2020.01 ~2020.02	4,500	EUR	2019.01 ~2019.02
BRL (sell)	12,001	BRL	2020.01 ~2020.02	13,711	BRL	2019.01
USD (buy)	-	-	-	4,000	USD	2019.01 ~2019.02
AUD (sell)	2,500	AUD	2020.01 ~2020.02	800	AUD	2019.03
KRW (sell)	2,322,550	KRW	2020.01 ~2020.02	2,249,400	KRW	2019.01 ~2019.02
JPY (sell)	110,000	JPY	2020.04 ~2020.05	570,000	JPY	2019.01 ~2019.04
CAD (sell)	2,200	CAD	2020.01 ~2020.02	800	CAD	2019.01
CNH (sell)	14,193	CNH	2020.01	-	-	-
Exchngeable corporate bonds embeded derivative:						
NTD	299,600	NTD	2020.06	390,800	NTD	2020.06

(c) Notes and accounts receivable and other receivables

	December 31, 2019	December 31, 2018
Notes receivable for operating activities	$ 8,802	29,541
Accounts receivable for operating activities	3,773,354	4,500,167
Other receivables	61,806	91,417
	3,843,962	4,621,125
Less: allowance for doubtful accounts	(197,721)	(251,129)
	$ 3,646,241	**4,369,996**

(Continued)

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 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 2019 and 2018 was determined as follows:

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

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 3,369,330	0.97%	32,568
90 days or less past due	970,121	0.67%	6,519
91 to 180 days past due	46,667	51.92%	24,230
181 to 270 days past due	27,604	82.81%	22,860
271 to 360 days past due	60,571	58.11%	35,196
More than 360 days past due	146,832	88.37%	129,756
	$ 4,621,125		**251,129**

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

	2019	**2018**
Balance at January 1, 2019 and 2018	$ 251,129	219,555
Impairment loss recognized	-	28,968
Expected credit loss reversed	(43,603)	-
Amounts written off	(16,003)	(802)
Others	6,198	3,408
Balance at December 31, 2019 and 2018	**$ 197,721**	**251,129**

(Continued)

(d) Finance lease payment receivable

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

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

	December 31, 2019
Less than one year (Total lease payments receivable)	$ 30,595

(e) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 2,836,939	3,111,559

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, 2019 and 2018, the cost of goods delivered were $12,198,070 thousand and $13,324,047 thousand, respectively. Write-down of inventories to net realizable value is recorded as cost of goods sold and decreased by $89,649 thousand and $47,505 thousand in 2019 and 2018, respectively. In 2019 and 2018, the warranty expenses, inventory losses from obsolescence and others amounted to $148,095 thousand and $504,673 thousand, respectively.

As of December 31, 2019 and 2018, no inventories were pledged as collateral.

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2019	December 31, 2018
Associates	$ 2,029,686	2,208,160

(Continued)

(i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held December 31, 2019	Ownership interest/ Voting rights held December 31, 2018
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	20.43 %	21.47 %

1) The financial information of Alpha was summarized as follows:

	December 31, 2019	December 31, 2018
Current assets	$ 19,148,501	12,517,041
Non-current assets	5,851,867	2,433,592
Current liabilities	9,584,608	4,194,712
Non-current liabilities	1,368,466	362,170
Net assets	**$ 14,047,294**	**10,393,751**
Net assets attributable to investee's shareholders	**$ 14,047,294**	**10,393,751**
	2019	**2018**
Operating revenue	**$ 15,825,808**	**15,608,222**
Net income (loss)	$ 238,903	(88,009)
Other comprehensive loss	(122,759)	(76,053)
Total comprehensive income (loss)	**$ 116,144**	**(164,062)**
Total comprehensive income (loss) attributable to investee's shareholders	**$ 116,144**	**(164,062)**

(Continued)

	2019	2018
The Consolidated Company's share in associate's net assets at beginning of year	$ 2,230,426	2,301,212
Comprehensive income attributable to the Consolidated Company	37,247	(100,955)
Changes in equity of associates using equity method	(6,361)	164,440
Dividends received during the year	(116,762)	(116,718)
Less: exchange of exchangeable bond and sell of shares	(120,107)	(17,553)
The Consolidated Company's share in associate's net assets at end of year	2,024,443	2,230,426
Less: unrealized gains or losses	(111,337)	(138,846)
Add: goodwill	116,580	116,580
Carrying amounts of investments accounted for using equity method	**$ 2,029,686**	**2,208,160**

	December 31, 2019	December 31, 2018
Carrying amounts of interests of immaterial associates	**$ -**	**-**

	2019	2018
Attributable to the Consolidated Company		
Loss from continuing operations	$ -	(1,191)
Other comprehensive income, net of tax	-	1,239
	$ -	**48**

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

	December 31, 2019	December 31, 2018
Alpha	**$ 2,610,572**	**1,931,683**

(ii) Pledges

As of December 31, 2019 and 2018, no investment accounted for using equity methods is pledged as collateral.

(Continued)

(iii) Bothhand Enterprise Inc.(Bothhand) — the Consolidated Company’ s investee company accounted for using equity method, has announced its intention to become a 100% subsidiary of Kaimei via share conversion in June, 2018. The reference date of the share exchange was November 29, 2018. The share conversion case was passed by the shareholders' meeting in August, 2018. After the conversion, the Consolidated Company lost its significant influence on Kaimei and transferred the investment company from investment accounted for using equity method to the financial assets at fair value through other comprehensive income, and recognized disposal profit amounted to $2,797 thousand.

(iv) The Consolidated Company has disposed its affiliated companies accounted for using equity method — Bothhand and Vxis Technology Corp. , the disposition price is amounted to $157,352 thousand and $16,149 thousand, respectively, and has separately recognized disposal profit of $99,278 thousand and loss of $9,174 thousand, respectively.The Consolidated Company was dissenting shareholder of Bothhand and requested Bothhand to buy back shares, based on Business Mergers and Acquisition Act. The purchase price was applied to the court for a ruling. The Consolidated Company had deposited the shares, which cannot be withdrawn according to Business Mergers and Acquisitions Act. Accordingly, the Consolidated Company complied with the derecongition rule, and the recognized disposal profit amounted to $99,278 thousand. The purchase price was decided judicially by the court in January 2020 and the Consolidated Company did not make any further appeal to the court.

(g) Subsidiaries have material non-controlling interests

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

		Ownership interests held by NCI	
Name of subsidiary	**Principal place of business/ Registered country**	**December 31, 2019**	**December 31, 2018**
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, 2019	**December 31, 2018**
Current assets	$ 1,361,790	1,293,612
Non-current assets	577,480	589,714
Current liabilities	642,433	667,986
Non-current liabilities	19,872	2,850
Net assets	**$ 1,276,965**	**1,212,490**
Net assets attributable to non-controlling interests	**$ 452,625**	**417,445**

(Continued)

	2019	2018
Operating revenues	$ **3,283,520**	**3,070,681**
Net income	$ 135,945	79,786
Other comprehensive income	(41,196)	(47,687)
Total comprehensive income	$ **94,749**	**32,099**
Net income attributable to non-controlling interests	$ **66,586**	**39,079**
Total comprehensive income attributable to non-controlling interests	$ **46,408**	**15,722**
Cash flows from (used in) operating activities	$ 43,252	(18,760)
Cash flows used in investing activities	(1,412)	(17)
Cash flows from financing activities	409	49,428
Net increase in cash and cash equivalents	$ **42,249**	**30,651**
Cash dividends paid to non-controlling	$ **11,228**	**3,983**

(h) Property, plant and equipment

	2019				
	Balance as of January 1, 2019	Increase	Decrease	Others	Balance as of December 31, 2019
Cost:					
Land	$ 546,510	-	-	1,495	548,005
Buildings	911,827	411	-	8,698	920,936
Others	1,344,056	71,945	(18,587)	(11,095)	1,386,319
	2,802,393	72,356	(18,587)	(902)	2,855,260
Accumulated depreciation:					
Buildings	507,101	21,241	-	(422)	527,920
Others	1,193,735	79,868	(16,033)	(11,984)	1,245,586
	1,700,836	101,109	(16,033)	(12,406)	1,773,506
	$ **1,101,557**	**(28,753)**	**(2,554)**	**11,504**	**1,081,754**

(Continued)

	2018					
	Balance as of January 1, 2018	**Increase**	**Decrease**	**Reclassification**	**Others**	**Balance as of December 31, 2018**
Cost:						
Land	$ 575,828	-	(27,477)	688	(2,529)	546,510
Buildings	953,999	1,597	(16,963)	383	(27,189)	911,827
Others	1,429,033	60,552	(143,335)	2,538	(4,732)	1,344,056
Equipment to be inspected and construction in process	2,470	1,313	-	(3,609)	(174)	-
	2,961,330	63,462	(187,775)	-	(34,624)	2,802,393
Accumulated depreciation:						
Buildings	495,889	21,773	(8,336)	-	(2,225)	507,101
Others	1,245,209	91,771	(139,200)	-	(4,045)	1,193,735
	1,741,098	113,544	(147,536)	-	(6,270)	1,700,836
Accumulated impairment:						
Buildings	8,000	-	(8,000)	-	-	-
	$ 1,212,232	**(50,082)**	**(32,239)**	**-**	**(28,354)**	**1,101,557**

As of December 31, 2019 and 2018, no property, plant and equipment were pledged as collateral.

(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, 2019	$ -	-	-	-
Effects of retrospective application	607,648	5,869	40,267	653,784
Balance as of 2019 after adjustments	607,648	5,869	40,267	653,784
Increase	75,350	548	14,939	90,837
Decrease	(9,071)	-	(3,905)	(12,976)
Others	(18,307)	(211)	(1,965)	(20,483)
Balance at December 31, 2019	**$ 655,620**	**6,206**	**49,336**	**711,162**
Accumulated Depreciation:				
Balance at January 1, 2019	$ -	-	-	-
Effects of retrospective application	-	-	-	-
Balance as of 2019 after adjustments	-	-	-	-
Increase	148,012	2,485	19,682	170,179
Decrease	(4,966)	-	(3,905)	(8,871)
Others	(3,763)	(64)	(396)	(4,223)
Balance at December 31, 2019	**$ 139,283**	**2,421**	**15,381**	**157,085**
Carrying amount:				
Balance at December 31, 2019	**$ 516,337**	**3,785**	**33,955**	**554,077**

(Continued)

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

(j) Investment property

	2019				
	Balance at January 1, 2019	**Increase**	**Decrease**	**Transfer**	**Balance at December 31, 2019**
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	11,131	396	-	-	11,527
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 40,065	**(396)**	**-**	**-**	**39,669**

	2018				
	Balance at January 1, 2018	**Increase**	**Decrease**	**Transfer**	**Balance at December 31, 2018**
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	10,734	397	-	-	11,131
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 40,462	**(397)**	**-**	**-**	**40,065**

	December 31, 2019	**December 31, 2018**
Book value	**$ 39,669**	**40,065**
Fair value	**$ 46,993**	**51,555**

 (Continued)

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(x). Besides, direct operating expenses related to investment property were $306 thousand and $310 thousand in 2019 and 2018, respectively.

As of December 31, 2019 and 2018, 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, 2019 and 2018, no investment property was pledged as collateral.

(k) Intangible assets

2019

	Balance as of January 1, 2019	Increase	Decrease	Transfer	Amortization	Others	Balance as of December 31, 2019
Goodwill	$ 311,776	-	-	-	-	(3,299)	308,477
Trademark	147,239	-	-	-	-	(3,004)	144,235
Patents	23,103	-	-	-	(2,692)	-	20,411
Computer software costs	88,623	16,079	-	-	(32,035)	-	72,667
Other intangible assets	51,529	10,850	-	-	(21,358)	(503)	40,518
	$ 622,270	**26,929**	**-**	**-**	**(56,085)**	**(6,806)**	**586,308**

2018

	Balance as of January 1, 2018	Increase	Decrease	Transfer	Amortization	Others	Balance as of December 31, 2018
Goodwill	$ 313,698	-	-	-	-	(1,922)	311,776
Trademark	142,999	-	-	-	-	4,240	147,239
Patents	25,794	-	-	-	(2,691)	-	23,103
Computer software costs	104,273	18,065	-	(2,821)	(30,894)	-	88,623
Other intangible assets	16,345	44,503	-	2,821	(11,699)	(441)	51,529
	$ 603,109	**62,568**	**-**	**-**	**(45,284)**	**1,877**	**622,270**

(l) Long-term and short-term loans

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

(Continued)

(i) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2019	December 31, 2018
Unsecured bank loans	TWD	0.95~1.01	2019	$ -	950,000
Unused credit facilities				$ 4,326,671	3,477,986

(ii) Long-term Loans

As of December 31, 2019 and 2018, the Consolidated Company did not have long-term loans. As of December 31, 2019 and 2018, the unused credit facilities amounted to $500,000 thousand.

(m) Lease liabilities

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

	December 31, 2019
Current	$ 162,888
Non-current	$ 441,586

The amounts recognized in profit or loss were as follows:

	2019
Interests on lease liabilities	$ 21,402
Expenses relating to short-term leases	$ 67,013

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

	2019
Total cash outflow for leases	$ 268,426

(i) Real estate leases

As of December 31, 2019, the Consolidated Company leases buildings for its office space. The leases of office space typically run for 1 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Consolidated Company also leases office equipment with contract terms of one to three years. In some cases, the Consolidated Company has options to purchase the assets at the end of the contract term; in other cases, the Consolidated Company guarantees the residual value of the leased assets at the end of the contract term. Parts of these leases are short-term or leases of low-value items and the Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

(n) Provisions — current

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

	2018						
	Balance at January 1, 2018	**Reclassification**	**Increase**	**Used**	**Reversed**	**Effect of exchange**	**Balance at December 31, 2018**
Warranties	$ 159,040	-	18,296	(19,232)	(11,490)	(1,995)	144,619
Sales return and allowances	66,501	(66,501)	-	-	-	-	-
Legal proceedings and royalties	58,204	-	-	-	-	1,725	59,929
	$ **283,745**	**(66,501)**	**18,296**	**(19,232)**	**(11,490)**	**(270)**	**204,548**

(o) Refund liabilities

	December 31, 2019	**December 31, 2018**
Refund liabilities	$ **585,189**	**607,595**

Due to the application of IFRS 15, the provision of sale return and allowance were reclassified from provision, allowance of accounts receivables and other payable to refund liabilities.

(p) Bonds payable

Exchangeable corporate bonds

	December 31, 2019	**December 31, 2018**
Exchangeable bonds	$ 1,200,000	1,200,000
Less: Discount and unamortized issuance cost	1,403	(4,781)
Accumulated exchanged bonds	(900,400)	(809,200)
Balance of exchangeable bonds	$ **301,003**	**386,019**
Embedded derivatives:		
Conversion options, included in financial liabilities at fair value through profit or loss	$ **65,380**	**19,316**

(Continued)

	2019	2018
Embedded derivative-loss (gains) measured at fair value, included in other gains and losses	$ 65,527	(50,765)
Interest expense	$ 6,062	6,534

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, 2019, the bondholders have already exchanged 9,004 units.

(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, 2019, the bondholders exchanged 912 units amounted to $91,200 thousand for 4,711 thousand of Alpha's common shares at $19.36 per share and the Company recognized the profit amounted to 24,171 thousand. For the year ended December 31, 2018, the bondholders exchanged 195 units amounted to $19,500 thousand for 912 thousand of Alpha's common shares at $21.37 per share and the Company recognized the profit amounted to $4,554 thousand.

(vi) Exchange price:

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

(Continued)

(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 bauds 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.

(q) Operating leases

(i) Leases – Lessee

Non-cancellable operating lease rentals were payable as follows:

	December 31, 2018
Within one year	$ 206,255
One to five years	375,837
Over five years	176,257
	$ 758,349

The operating leases recognized in profit or loss in 2018 amounting to $228,777 thousand.

(ii) Leases – Lessor

	December 31, 2019
Within one year	**$ 353**

(Continued)

For information on investment property leased under operating leases, please refer to note 6(j).

Rental income general from investment property in 2019 and 2018 were amounted to $1,812 thousand and $1,929 thousand, respectively.

(r) Employee benefits

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

		December 31, 2019	December 31, 2018
Present value of benefit obligations	$	104,051	118,396
Fair value of plan assets		(87,839)	(96,088)
Deficit in the plan	**$**	**16,212**	**22,308**

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 $87,873 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 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligation at January 1	$	118,396	115,408
Current service costs and interests		2,641	2,912
Remeasurement of the net defined benefit liabilities			
－Actuarial losses from changes in the financial assumptions		3,659	4,136
－Actuarial (gains) losses from changes in experience adjustments		(5,684)	2,013
Benefits paid by the plan		(14,961)	(6,073)
Defined benefit obligation at December 31	**$**	**104,051**	**118,396**

(Continued)

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2019 and 2018 were as follows:

		2019	2018
Fair value of plan assets at January 1	$	96,088	95,081
Interest income		1,341	1,562
Remeasurement of the net defined benefit liabilities			
—Actuarial return on plan assets (excluding interests)		3,045	2,398
Contributions made		2,326	3,120
Benefits paid by the plan		(14,961)	(6,073)
Fair value of plan assets at December 31	$	**87,839**	**96,088**

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2019 and 2018 were as follow:

		2019	2018
Current service costs	$	1,014	1,037
Net interest on the net defined benefit obligation		286	313
	$	**1,300**	**1,350**

		2019	2018
Operating costs	$	20	21
Selling expenses		669	603
Administrative expenses		260	409
Research and development expenses		351	317
	$	**1,300**	**1,350**

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

The Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2019 and 2018were as follows:

		2019	2018
Balance on January 1	$	56,934	53,183
Recognized		(5,070)	3,751
Balance on December 31	$	**51,864**	**56,934**

(Continued)

6) Actuarial assumptions

The following were the actuarial assumptions at the year end reporting date:

	2019.12.31	2018.12.31
Discount rate	1.125 %	1.375 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of $1,891 thousand to the plan for the next annual reporting period.

The weighted average duration of defined benefit obligation is 16.32 years and 16.38 years in 2019 and 2018, respectively.

7) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2019 and 2018 was as follows:

	Effective of defined benefit liabilities	
	Increase	**Decrease**
December 31, 2019		
Discount rate (0.25% change)	$ (3,659)	3,822
Future salary increase (0.25% change)	3,684	(3,549)
December 31, 2018		
Discount rate (0.25% change)	(4,136)	4,314
Future salary increase (0.25% change)	4,170	(4,031)

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

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

(ii) Defined contribution plans

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

(Continued)

The amount of the Company's pension expenses under defined contribution pension plan in 2019 and 2018 were as follows:

		2019	2018
Operating costs	$	8,220	9,086
Operating expenses	$	124,844	132,584

(s) Income Taxes

Income tax expenses for the years ended 2019 and 2018 were summarized as follows:

		2019	2018
Current income tax expense	$	86,224	120,382
Deferred tax expense			
Temporary differences occurred and reversal		65,964	31,562
Income tax expenses	$	152,188	151,944

The amount of income tax expense (profit) recognized in other comprehensive income was as follows:

		2019	2018
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	$	(4,016)	16,892

Reconciliation of income tax expense and profit before tax was as follows:

		2019	2018
Profit (loss) before income tax	$	(289,553)	297,397
Income tax using the Company's domestic tax rate		(57,910)	59,479
Effect of tax rate changes		25,430	(56,539)
Share of profit of associates accounted for using equity method		202,049	-
Non-taxable income		(13,162)	(31,313)
Effect of income taxes movement		-	(18,060)
Unrecognized changes of temporary differences		(86,127)	158,547
Income tax adjustments on prior years and others		81,908	39,830
	$	152,188	151,944

(Continued)

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

		December 31, 2019	December 31, 2018
Deductible temporary differences			
Unrealized expenses	$	137,816	179,724
Provisions for warranty		13,157	13,358
Unrealized impairment		24,318	24,318
Write-down of inventories to net realizable value		73,952	53,199
Others		54,976	63,659
		304,219	334,258
Operating loss carry forward		1,027,689	1,072,623
	$	**1,331,908**	**1,406,881**

(ii) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years 2019 and 2018 were as follows:

		Intra-group transactions	Foreign currency translation reserve	Unrealized expenses	Write down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:									
Balance at January 1, 2019	$	100,477	205,676	50,520	38,034	1,893	50,412	86,455	533,467
Recognized in income statement		(4,432)	-	(20,638)	(1,711)	425	141,591	(18,471)	96,764
Foreign currency translation reserve		-	4,016	-	-	-	-	-	4,016
Balance at December 31, 2019	$	**96,045**	**209,692**	**29,882**	**36,323**	**2,318**	**192,003**	**67,984**	**634,247**
Balance at January 1, 2018	$	133,544	222,568	54,094	44,732	2,631	55,656	77,718	590,943
Recognized in income statement		(33,067)	-	(3,574)	(6,698)	(738)	(5,244)	8,737	(40,584)
Foreign currency translation reserve		-	(16,892)	-	-	-	-	-	(16,892)
Balance at December 31, 2018	$	**100,477**	**205,676**	**50,520**	**38,034**	**1,893**	**50,412**	**86,455**	**533,467**

 (Continued)

	Investments under equity method	Others	Total
Deferred income tax liabilities:			
Balance at January 1, 2019	$ -	5,968	5,968
Recognized in profit or loss	143,177	19,551	162,728
Balance at December 31, 2019	**$ 143,177**	**25,519**	**168,696**
Balance at January 1, 2018	$ 4,618	10,372	14,990
Recognized in profit or loss	(4,618)	(4,404)	(9,022)
Balance at December 31, 2018	**$ -**	**5,968**	**5,968**

In accordance with the laws of each registered country, the assessed losses can be used to offset current-year net income. In addition, pursuant to the ROC Income Tax Act, net loss of the Company, YEOCHIA, YEOMAO and YEOTAI as assessed by the tax authorities can be carried forward for ten consecutive years to reduce future taxable income. As of December 31, 2019, the Consolidated Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

Consolidated entity	Year of loss	Year of expiry	Unused amount
The Company	2017	2027	1,750,767
The Company	2019	2029	210,411
YEOCHIA	2014	2024	2,777
YEOTAI	2010	2020	15,071
YEOTAI	2011	2021	2,039
YEOTAI	2014	2024	2,813
YEOTAI	2016	2026	1,330
YEOTAI	2019	2029	5,947
D-Link Europe	2003 and 2015~2016	Unlimited	38,478
D-Link Brazil	2014~2019	Unlimited	1,099,086
D-Link Trade	2015	Unlimited	65,016
D-Link Shiang-Hai	2014~2015 and 2017~2018	2019~2020 and 2022~2023	625,237
D-Link Mexicana	2014~2015 and 2017~2019	2024~2025 and 2027~2029	122,382
D-Link Systems	2017~2018	2037~2038	190,219
D-Link International	2017~2019	Unlimited	1,861,730
D-Link Korea	2011~2019	2021~2029	73,487
			$ 6,066,790

(Continued)

The income tax returns of the Company, YEOCHIA, YEOTAI and YEOMAO have been examined through 2017.

(t) Share capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, 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, 2019 and 2018, the issued capital amounted to 6,519,961 thousand. The par value of the Company's common stock is $10 New Taiwan dollars per share. The number of share is 651,996 thousand shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2019	December 31, 2018
Common stock in excess of par value	$	1,217,030	1,282,230
Treasury stock		39,310	39,310
Changes in equities of associates accounted for using equity method		76,234	82,132
Expiry of share-based payment transactions		129,459	129,459
Expiry of redeemed options of convertible corporate bonds		81,454	81,454
Changes in equities of the Company's ownership interests in subsidiaries		55,320	55,320
Total	$	**1,598,807**	**1,669,905**

According to the ROC Company Act, the capital surplus may be used to offset a deficit, or distribute as cash devidends or stocks devidends 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

In 2018, according to the ROC Company Act, 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.

(Continued)

In June 21, 2019, the Company decide to distributed dividend to shareholders with the amount $65,200 thousand of legal revserve.

2) Special reserve

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

3) Earning distribution

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

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

The Company is loss in 2017. There were no distributable earnings. The Company's shareholders meeting resolved appropriation of profit or loss on June 22, 2018.

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) Treasury stock

Under Article 28-2 of the Securities and Exchange Act, the Company's board of directors passed a resolution to buy back its shares from the open market and to transfer the shares to its employees. The relevant information as below:

Board of directors resolution date	Buy back shares (in thousand)	Amount	Capital reduction baseline date	Treasury stock retired shares (in thousand)	Transfer date	Treasury stock transfer to employees
October 30, 2012	10,000	$ 173,037	March 24, 2016	10,000	-	-
January 14, 2013	15,000	277,433	March 24, 2016	15,000	-	-
August 13, 2015	19,192	186,425	-	-	September 21, 2016	-
August 13, 2015	19,192	186,425	-	-	September 19, 2017	-
August 13, 2015	19,192	186,425	-	-	September 17, 2018	-

The board of directors meeting on August 8, 2016 resolved to transfer 1,844 thousand, 8,127 thousand and 9,221 thousand of the treasury stocks, bought in 2015, to its employees, with a subscription price NT$9.72 per share, amounting to $17,924 thousand, $78,994 thousand and $89,628 thousand, respectively. And in 2018, the Company recognized the compensation cost amounting to $7,247 thousand, $9,996 thousand and $21,946 thousand, and wrote off treasury stocks $17,912 thousand, $78,943 thousand and $89,570 thousand, and recognized Capital Surplus – treasury shares transaction amounting to $7,259 thousand, $10,047 thousand and $22,004 thousand, respectively.

	2019		2018	
	Shares (in thousands)	**Amount**	**Shares (in thousands)**	**Amount**
Beginning balance	-	$ -	1,844	17,912
Decreased	-	-	(1,844)	(17,912)
Ending balance (Beginning balance)	-	$ -	-	-

Based on the Securities and Exchange Act, the number of repurchased shares should not exceed 10% of the Company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and paid-in capital.

Shares of treasury stocks that bought back shall be transferred to employees in 3 years since the repurchase date or they shall be otherwise retired as if the Company has never issued. The Company excluded special reserve and appropriated earnings agreed by the board of directors before the approval of repurchase treasury stock to calculate the ceiling of the repurchase based on the September 30, 2019 Independent Auditors' Report. The ceiling on total number of shares of the repurchase is 65,199 thousand shares and the ceiling on total monetary amount of the repurchase is $2,961,614 thousand.

 (Continued)

In addition, the Company should not pledge its treasury shares nor exercise voting rights before transferring to employees.

(v) Other equity

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2019	$ (1,151,611)	(147,771)	(15,138)
The Consolidated Company	(62,610)	(11,305)	-
Associates	(22,480)	5,884	11,654
The Consolidated Company-disposal	-	(11,910)	-
Balance at December 31, 2019	$ **(1,236,701)**	**(165,102)**	**(3,484)**

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedge	Others
Balance at January 1, 2018	$ (1,102,381)	-	152,864	1,109	(44,400)
Effects of retrospective application:	-	(73,190)	(152,864)	-	-
Balance at January 1, 2018 after adjustments	(1,102,381)	(73,190)	-	1,109	(44,400)
The Consolidated Company	(35,714)	1,042	-	(1,109)	-
Associates	(13,516)	(67,776)	-	-	29,262
The Consolidated Company-disposal	-	(7,847)	-	-	-
Balance at December 31, 2018	$ **(1,151,611)**	**(147,771)**	**-**	**-**	**(15,138)**

(vi) Non-controlling interests

	2019	2018
Balance at the beginning of the period	$ 417,445	405,706
Net income attributable to non-controlling interest:		
Net income	66,586	39,079
Exchange differences on translation of foreign operations	(20,178)	(23,357)
Cash dividends distributed by subsidiaries	(11,228)	(3,983)
Balance at the end of the period	$ **452,625**	**417,445**

(Continued)

(u) Earnings per share

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

(i) Basic earnings per share

		2019	2018
Profit (loss) attributable to owners of the parent	$	**(508,327)**	**106,374**
Ordinary shares outstanding at 1 January	$	651,996	650,152
Weighted-average number of shares of treasury stock		-	528
Weighted-average number of ordinary shares outstanding at 31 December		**651,996**	**650,680**
Basic earnings (loss) per share	$	**(0.78)**	**0.16**

(ii) Diluted earnings per share

		2019	2018
Profit (loss) attributable to owners of the parent	$	**(508,327)**	**106,374**
Weighted-average number of ordinary shares outstanding	$	651,996	650,680
Employees' bonuses have not yet been resolved by the shareholders' meeting		44	99
Weighted average number of ordinary shares (diluted) at December 31		**652,040**	**650,779**
Diluted earnings (loss) per share	$	**(0.78)**	**0.16**

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.

(v) Revenue from contracts with customers

(i) Consolidate Company revenue from contract revenue

Major product / service lines		2019	2018
Network communication products	$	16,847,803	19,257,469
Services		148,245	125,734
	$	**16,996,048**	**19,383,203**

Primary geographical markets		2019	2018
Europe	$	3,382,293	5,492,355
Others		13,613,755	13,890,848
	$	**16,996,048**	**19,383,203**

(Continued)

(ii) Contract liabilities

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

		December 31, 2019	December 31, 2018
Contract Liabilities－current (sales)	$	**117,443**	**138,989**

2) The Consolidated Company recognized $90,034 thousand and $45,147 thousand, respectively, in sales from the beginning balance of contract liabilities for the year ended December 31, 2019 and 2018.

(w) Remuneration to employees and directors

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

The Company had an annual loss in the year ended December 31, 2019, and thus, the Company was not required to accrue any remuneration to its employees and directors.

For the year ended 2018, the remunerations to employees and directors amounted to $1,196 thousand and $1,196 thousand, respectively, and have been paid in cash, based on the resolution made during the Board of Directors' meeting on March 18, 2019, and have been proposed in the shareholder's meeting in 2019.

(x) Other income and losses

(i) Other income

		2019	2018
Interest income	$	41,921	42,323
Rental income		1,812	1,929
Dividend income		4,909	1,713
Total	$	**48,642**	**45,965**

(Continued)

(ii) Other gains and losses

		2019	2018
Gain on disposals of investments	$	36,016	77,934
Foreign currency exchange gains (losses)		43,243	(69,802)
Gain on reversal of impairment		-	8,000
Valuation gains (losses) from financial assets and liabilities		(82,774)	62,735
Others		27,193	(37,039)
	$	**23,678**	**41,828**

(iii) Financial costs

		2019	2018
Interest expense	$	(19,038)	(24,114)
Lease liability interests		(21,402)	-
Net financial costs	**$**	**(40,440)**	**(24,114)**

(y) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2019 and 2018 were summarized as follow:

		2019	2018
Exchange differences on translation of foreign operations			
Change in foreign currency exchange from the Consolidated Company	$	(66,626)	(18,822)
Change in foreign currency exchange from non-controlling interests		(20,178)	(23,357)
Change in exchange differences on translation of foreign operation recognized in other comprehensive income	**$**	**(86,804)**	**(42,179)**
Share of other comprehensive income accounted for using equity method			
Change in foreign currency exchange from associates	$	(24,092)	(13,575)
Reclassification adjustments		1,965	7,563
Change in other comprehensive income from associates		11,301	21,757
Share of other comprehensive income from associates	**$**	**(10,826)**	**15,745**
Gains (losses) on effective portion of cash flow hedge			
Reclassification adjustments		-	(1,109)
Change from the consolidated Company	**$**	**-**	**(1,109)**

(Continued)

(z) Financial instruments

(i) Category of financial instruments

1) Financial Assets

		December 31, 2019	December 31, 2018
Cash and cash equivalents	$	3,141,284	4,424,864
Financial assets at fair value through profit or loss — current		70,549	8,548
Notes receivable, accounts receivable and other accounts receivable (including related parties)		3,646,458	4,370,213
Financial lease payment receivable		30,595	-
Financial assets at fair value through other comprehensive income —non-current		440,095	482,011
Refundable deposits and other current assets		106,815	96,971
	$	7,435,796	9,382,607

2) Financial liabilities

		December 31, 2019	December 31, 2018
Short-term loans	$	-	950,000
Financial liabilities at fair value through profit or loss —current		86,330	28,929
Notes payable, accounts payable and other payables (including related parties)		4,383,925	5,214,554
Bonds payable		301,003	386,019
Guarantee deposits received		69,121	52,578
Lease liability (current and non-current)		604,474	-
	$	5,444,853	6,632,080

(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, 2019 and 2018, the maximum amount exposed to credit risk amounted to $7,435,796 thousand, and $9,382,607 thousand, respectively.

(Continued)

(iii) Liquidity risk

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

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2019							
Non-derivative financial liabilities							
Notes payable	$ 577	577	577	-	-	-	-
Accounts payable	1,985,581	1,985,581	1,985,581	-	-	-	-
Accounts payable to related parties	926,767	926,767	926,767	-	-	-	-
Other payables	1,471,000	1,471,000	1,471,000	-	-	-	-
Bonds payable	301,003	301,003	301,003	-	-	-	-
Lease liability	604,474	658,979	101,824	77,868	118,975	225,808	134,504
Guarantee deposits received	69,121	69,121	69,121	-	-	-	-
Derivative financial liabilities							
Exchangeable corporate bonds embedded derivative	65,380	65,380	65,380				
Cross currency swaps							
Outflow	12,802	1,557,422	1,557,422	-	-	-	-
Inflow	-	1,546,745	1,546,745	-	-	-	-
Forward foreign exchange contracts							
Outflow	8,148	582,041	582,041	-	-	-	-
Inflow	-	574,257	574,257	-	-	-	-
	$ 5,444,853	9,738,873	9,181,718	77,868	118,975	225,808	134,504

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2018							
Non-derivative financial liabilities							
Short-term loans	$ 950,000	951,984	951,984	-	-	-	-
Notes payable	395	395	395	-	-	-	-
Accounts payable	2,212,938	2,212,938	2,212,938	-	-	-	-
Accounts payable to related parties	1,308,330	1,308,330	1,308,330	-	-	-	-
Other payables	1,692,891	1,692,891	1,692,891	-	-	-	-
Bonds payable	386,019	386,019	386,019	-	-	-	-
Guarantee deposits received	52,578	52,578	52,578	-	-	-	-
Derivative financial liabilities							
Exchangeable corporate bonds embedded derivative	19,316	19,316	19,316	-	-	-	-
Cross currency swaps							
Outflow	3,617	511,987	511,987	-	-	-	-
Inflow	-	508,057	508,057	-	-	-	-
Forward foreign exchange contracts							
Outflow	5,996	650,243	650,243	-	-	-	-
Inflow	-	508,057	508,057	-	-	-	-
	$ 6,632,080	8,802,795	8,802,795	-	-	-	-

(Continued)

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:

	2019			2018		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets (note):						
Monetary items:						
CLP	$ 56,967	0.04	2,303	64,940	0.04	2,873
JPY	741,389	0.28	205,365	1,699,258	0.28	476,302
CAD	14,450	23.18	334,982	15,971	22.53	359,896
USD	188,140	30.11	5,664,128	265,707	30.73	8,165,876
MXN	2,222	1.60	3,545	595	1.56	931
BRL	15,523	7.47	115,942	30,487	7.93	241,809
AUD	4,870	21.11	102,811	5,873	21.66	127,202
			$ 6,429,076			9,374,889
Derivative financial instruments:						
USD	$ 2,338	30.11	70,398	212	30.73	6,519
JPY	6,253	0.28	1,731	22,081	0.28	6,189
RUB	2,015	0.49	980	-	-	-
			$ 73,109			12,708
Financial liabilities (note):						
Monetary items:						
JPY	$ 1,899,117	0.28	526,055	1,321,428	0.28	370,396
CAD	1,496	23.18	34,685	4,071	22.53	91,749
BRL	22,868	7.47	170,802	23,341	7.93	185,128
USD	140,679	30.11	4,235,274	178,425	30.73	5,483,543
CLP	192,906	0.04	7,799	266,107	0.04	11,771
AUD	1,609	21.11	33,964	1,129	21.66	24,460
MXN	119	1.60	190	178	1.56	278
			$ 5,008,769			6,167,325
Derivative financial instruments:						
EUR	235	33.75	7,941	-	-	-
GBP	13	39.92	538	-	-	-
CAD	24	23.18	545	-	-	-
JPY	601	0.28	167	-	-	-
KRW	12,196	0.03	328	-	-	-
BRL	331	7.47	2,473	-	-	-
USD	72	30.11	2,164	313	30.73	9,613
CNH	1,215	4.32	5,241	-	-	-
AUD	74	21.11	1,553	-	-	-
			$ 20,950			9,613

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

 (Continued)

Because the Consolidated Company has various functional currencies, the 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 $43,243 thousand and losses $(69,802) thousand for the years ended December 31, 2019 and 2018, respectively.

The Consolidated Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, other receivables, loans, accounts 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, 2019 and 2018 would have decreased or increased the net loss after tax by $17,669 thousand and $38,528 thousand, respectively, assuming all other variables were held constant.

(v) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets 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 Consolidated Company management' s assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Consolidated Company's net income (loss) would have increased / decreased by $0 thousand and $49 thousand for 2019 and 2018, respectively, with all other variable factors remaining constant.

(vi) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

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

		December 31, 2019			
Assets and liabilities		**Total**	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on recurring basis					
Non-derivative assets and liabilities					
Assets:					
Financial assets at fair value through other comprehensive income	$	440,095	437,535	-	2,560
Derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss － current		70,549	-	70,549	-
Liabilities:					
Financial liabilities at fair value through profit or loss － current		86,330	-	86,330	-

		December 31, 2018			
Assets and liabilities		**Total**	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on recurring basis					
Non-derivative assets and liabilities					
Assets:					
Financial assets at fair value through other comprehensive income	$	482,011	477,565	-	4,446
Derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss－current		8,548	-	8,548	-
Liabilities:					
Financial liabilities at fair value through profit or loss － current		28,929	-	28,929	-

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 Company measures the fair value of its financial assets and liabilities using the observable inputs and the valuation technique from the perspective of market participants.

3) Transfer from Level 1 to Level 2

As of December 31, 2019 and 2018, there were no transfers between level 1 and level 2 of the fair value hierarchy.

4) Reconciliation of level 3 fair values

	Financial assets at fair value through other comprehensive income
Balance at January 1,2019	$ 4,446
Recognized in other comprehensive income	(1,886)
Balance at December 31, 2019	**$ 2,560**
Balance at January 1, 2018	$ 6,712
Recognized in other comprehensive income	(2,266)
Balance at December 31, 2018	**$ 4,446**

For the years ended December 31, 2019 and 2018, 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:

	2019	2018
Total gains and losses recognized:		
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income"	$ (1,886)	(2,266)

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

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

Quantified information of significant unobservable inputs was as follows:

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

(vii) Assets and liabilities not measured at fair value

1) Information of fair value

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

	December 31, 2019		December 31, 2018	
	Book value	**Fair value**	**Book value**	**Fair value**
Non-financial assets:				
Investment property	$ 39,669	46,993	40,065	51,555

	December 31, 2019			
Assets and liabilities	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-financial assets:				
Investment property	$ 46,993	-	-	46,993

	December 31, 2018			
Assets and liabilities	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-financial assets:				
Investment property	$ 51,555	-	-	51,555

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.

b) The fair value of investment property that is based on the comparable deal information with similar location.

(aa) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

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

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

The Board of Directors and Audit Committee oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews 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 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 demographics 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, 2019 and 2018, revenue from each foreign customer does not exceed 5% of the Consolidated Company's revenue and therefore, there is no concentration of credit risk.

(Continued)

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

2) Investment on securities and derivative financial instruments

The credit risk exposure bank deposits, fixed income investments and derivative financial instrument are measured and monitored by the 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

Pursuant to the Consolidated Company' s policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2019 and 2018, 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 has unused short term bank facilities for $4,826,671 thousand as of December 31, 2019.

(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 Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to minimize the influence on change in market price or control within expectable scope.

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

1) Currency risk

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

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 risk

The Consolidated Company holds both money market 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 the investments, if necessary.

(ab) Capital management

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

Debt-to-equity ratio:

	December 31, 2019	December 31, 2018
Total liabilities	$ 6,784,971	7,989,891
Less: cash and cash equivalents	(3,141,284)	(4,424,864)
Net debt	**$ 3,643,687**	**3,565,027**
Total equity	**$ 8,926,039**	**9,616,932**
Debt-to-equity ratio	**40.82%**	**37.07%**

As of December 31, 2019, the methods of the Consolidated Company' s capital management remained unchanged.

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

Information of non-cash-traded investing and financing activities for the years ended December 31, 2019 and 2018 were as follows:

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

(ii) Exchangeable corporate bonds, please refer to note 6(p).

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

	January 1, 2019	Cash flows	Non-cash changes: Exchange	Non-cash changes: Fair value changes	Non-cash changes: Others	December 31, 2019
Short-term loan	$ 950,000	(950,000)	-	-	-	-
Bonds payable	386,019	-	(91,078)	6,062	-	301,003
Lease liabilities	742,889	(180,013)	-	-	41,598	604,474
Others	52,578	16,543	-	-	-	69,121
Total liabilities from financing activities	**$ 2,131,486**	**(1,113,470)**	**(91,078)**	**6,062**	**41,598**	**974,598**

	January 1, 2018	Cash flows	Non-cash changes: Exchange	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	December 31, 2018
Short-term loan	$ 1,250,000	(300,000)	-	-	-	950,000
Bonds payable	398,426	-	(18,941)	-	6,534	386,019
Others	71,017	(18,439)	-	-	-	52,578
Total liabilities from financing activities	**$ 1,719,443**	**(318,439)**	**(18,941)**	**-**	**6,534**	**1,388,597**

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Consolidated Company
Alpha Networks, Inc.	An associate
Dongguam Mingrui	An associate
D-Link Asia Investment Pte Ltd.	An associate
Bothhand Enterprise Inc.	An associate (had transfer to Kaimei in November, 2018, not an associate)
Miiicasa Holding	An associate
Cameo Communication, Inc.	A corporate director of individual

(b) Significant related party transactions

(i) Sales and service revenue

	2019	2018
Associates	**$ 463**	**683**

(Continued)

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

(ii) Purchases

		2019	2018
Associates:			
Alpha	$	2,227,506	3,136,043
Others		85	622
Other related-parties:			
Cameo		1,613,073	1,710,744
	$	**3,840,664**	**4,847,409**

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

(iii) Accounts receivable due from related parties

Account	Related party categories		December 31, 2019	December 31, 2018
Accounts receivable	Associates－Alpha	$	217	217
Other receivables	Associates－Alpha		847	4,452
Other receivables	Associates－Others		4	69
Other receivables	Other related parties－Cameo		35	-
		$	**1,103**	**4,738**

(iv) Accounts payable to related parties

Account	Related party categories		December 31, 2019	December 31, 2018
Accounts payable	Associates－Alpha	$	538,164	848,370
Accounts payable	Associates－Others		-	70
Accounts payable	Other related-parties－Cameo		388,603	459,890
Other payables	Associates－Others		11,919	20,404
Other payables	Other related-parties－Cameo		20,011	8,787
		$	**958,697**	**1,337,521**

(Continued)

(v) Services purchased from related parties

The services purchased from related-parties were as follows:

		2019	2018
Associates:			
Alpha	$	15,777	25,916
Others		472	476
Other related-parties:			
Cameo		28,118	12,807
	$	**44,367**	**39,199**

(vi) Property transaction

1) Property, plant and equipment acquired

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

		2019	2018
Associates:			
Alpha	$	6,261	5,432
Other related-parties:			
Cameo		3,330	9,572
	$	**9,591**	**15,004**

2) The Consolidated Company sold its patents which are in the process of application to MiiiCasa Holding for $20,735 thousand (USD$700 thousand) in March 2012. The unrealized profits due to the abovementioned transactions amounting to $0 thousand was recognized under other non-current liabilities; and the realized profits of $20,735 thousand was recognized under other gains and losses.

The details of the abovementioned transactions were summarized as follows:

Account	Related party categories		2019	2018
Other non-current liabilities	Associates	$	**-**	**2,160**

Account	Related party categories		2019	2018
Gains and Losses	Associates	$	**2,160**	**683**

(vii) Other gains and losses

Account	Related party categories	2019	2018
Other gains and losses	Associates－Bothhand	$ -	1,483
Other gains and losses	Associates－Alpha	800	2,486
Other gains and losses	Other related parties－Cameo	-	80
		$ 800	4,049

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 38,437	65,341
Post-employee benefits	1,745	1,569
Share-based payments	-	939
	$ 40,182	67,849

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2019	December 31, 2018
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	$ 113,864	105,443

(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 Consolidated Company believes the litigation will not have any significant impact on its current operations.

(b) The Company's subsidiary, D-Link India, had disputes regarding prior year's declaration of tariff settlement with the local tax authorities. The Consolidated Company has assessed and accrued the amount that may be paid.

(c) The Company’s subsidiary, D-Link Brazil, had disputes regarding prior year's declaration tax on industrialized products with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.

(d) American Patents, LLC filed a lawsuit against the Company in October 2019, alleging that some of the Company’ products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(e) BE Labs, Inc. filed a lawsuit against the Company's subsidiary, D-Link Systems, in October 2019, 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.

(f) Shenzhen Dunjun Technology Co.,Ltd. filed a lawsuit against the Company's subsidiary, D-Link Shiang-Hai, in October 2019, alleging that some of the D-Link Shiang-Hai's products infringed its patents. D-Link Shiang-Hai has retained its attorneys in the China and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(g) International License Exchange of America, LLC filed a lawsuit against the Company's subsidiary, D-Link Systems, in November 2019, 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.

(h) Castlemorton Wireless LLC filed a lawsuit against the Company in January 2020, alleging that some of the Company' products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(i) Parity Networks LLC filed a lawsuit against the Consolidated Company in February 2020, alleging that some of the Company' products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(j) STC.UNM filed a lawsuit against the Company in February 2020, alleging that some of the Company' products infringed its patents. The Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(k) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the liabilities are unclear. The Company has accrued the possible expense, and significant losses are unlikely.

(l) As of December 31, 2019 and 2018, the Consolidated Company's outstanding stand by letter of credit for purchasing inventories were $12,894 thousand and $10,317 thousand, respectively.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

Since early 2020, the coronavirus outbreak caused uncertainties in the operating environment of the Consolidated Company's suppliers in China, including the suppliers' production and delivery delays, and affected the Consolidated Company's operation. However, the relevent information is still unclear to have a reasonable estimation for operation and financial situation. The Consolidated Company will constantly monitor the development of the event and assess in time.

(12) Other:

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

By funtion / By item	For the year ended December 31					
	2019			2018		
	Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits						
Salaries	78,837	2,359,026	2,437,863	82,108	2,372,140	2,454,248
Labor and health insurance	2,637	137,171	139,808	2,425	127,462	129,887
Pension	8,240	126,124	134,364	9,107	133,913	143,020
Others	9,172	266,359	275,531	9,493	271,873	281,366
Depreciation	13,253	258,431	271,684	1,512	112,429	113,941
Amortization	71	56,014	56,085	374	44,910	45,284

(Continued)

(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 Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link Corporation	Other accounts receivable - related parties	Yes	722,544	602,120	602,120	-	2	-	Operating capital	-	-	-	2,301,493	2,301,493
1	D-Link International	D-Link Shiang-Hai	Other accounts receivable - related parties	Yes	43,155	43,155	28,914	4.00	2	-	Operating capital	-	-	-	2,301,493	2,301,493
1	D-Link International	D-Link Brazil	Other accounts receivable - related parties	Yes	60,212	60,212	-	-	2	-	Operating capital	-	-	-	2,301,493	2,301,493
2	D-Link Russia Investment	D-Link International	Other accounts receivable - related parties	Yes	740,608	740,608	737,597	-	2	-	Operating capital	-	-	-	752,553	752,553
3	D-Link Japan K.K	D-Link Corporation	Other accounts receivable - related parties	Yes	498,600	498,600	498,600	0.50	2	-	Operating capital	-	-	-	662,330	662,330
4	D-Link Europe	D-Link Corporation	Other accounts receivable - related parties	Yes	337,549	337,549	337,549	1.00	2	-	Operating capital	-		-	1,265,617	1,265,617
5	YEOTAI	YEOMAO	Other accounts receivable - related parties	Yes	20,000	20,000	20,000	0.95	2	-	Operating capital	-	-	-	26,287	26,287

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 parent Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Europe.

Note 6: Total amount of loans from YEOTAI to the parent Company and the ultimate parent company's 90% directly or indirectly owned overseas subsidiaries shall not exceed 40% of the net worth of YEOTAI.

Note 7: Only disclose funding loan limits that are still valid until end the year of 2019.

(Continued)

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	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
0	D-Link Corporation	D-Link Europe	2	2,173,320	125,771	125,771	31,078	-	1.48 %	6,519,961	Y		
0	D-Link Corporation	D-Link Shiang-Hai	2	2,173,320	75,265	75,265	-	-	0.89 %	6,519,961	Y		Y
0	D-Link Corporation	D-Link Trade	2	2,173,320	15,053	15,053	-	-	0.18 %	6,519,961	Y		
0	D-Link Corporation	D-Link Middle East	2	2,173,320	30,106	-	-	-	- %	6,519,961	Y		

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

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

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

1. Having business relationship.
2. The entity directly or indirectly owned more than 50% by the Company.
3. The entity directly or indirectly own more than 50% of the Company.
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, 2019 (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: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest percentage of ownership (%)	Note
D-Link Corporation	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	21,498,506	166,183	8.01 %	166,183	8.01 %	
D-Link Corporation	Ehoo Net Technology Holding Ltd.	None	Non current financial assets at fair value through profit or loss	749,663	-	4.11 %	-	4.11 %	
D-Link Corporation	Ewave System	None	Non current financial assets at fair value through profit or loss	83,334	-	1.89 %	-	1.89 %	
D-Link Corporation	TGC Inc.	None	Non current financial assets at fair value through profit or loss	500,000	-	1.84 %	-	1.84 %	
D-Link Corporation	YICHIA Information Corporation	None	Non current financial assets at fair value through profit or loss	73,500	-	6.68 %	-	6.68 %	
D-Link Corporation	Global Mobile Corp.	None	Non current financial assets at fair value through profit or loss	6,600,000	-	2.39 %	-	2.39 %	
D-Link Corporation	Ubicom	None	Non current financial assets at fair value through profit or loss	926,814	-	3.05 %	-	3.05 %	
D-Link Corporation	PurpleComm	None	Non current financial assets at fair value through profit or loss	3,385,417	-	14.10 %	-	14.10 %	
D-Link Holding	Best 3C	None	Non current financial assets at fair value through profit or loss	600,000	-	1.88 %	-	1.88 %	
D-Link Holding	E2O	None	Non current financial assets at fair value through profit or loss	252,525	-	0.05 %	-	0.05 %	

(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 (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
YEOCHIA	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	10,757,873	83,158	4.01 %	83,158	4.01 %	
YEOCHIA	Z-Com	None	Non current financial assets at fair value through other comprehensive incom	3,064,041	39,833	4.23 %	39,833	4.23 %	
YEOCHIA	Venture Power	None	Non current financial assets at fair value through other comprehensive incom	10,922	315	2.97 %	315	2.97 %	
YEOCHIA	QuieTek Corporation, Inc. (QuieTek)	None	Non current financial assets at fair value through profit or loss	6,257,896	-	12.63 %	-	12.63 %	
YEOMAO	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	9,710,192	75,060	3.62 %	75,060	3.62 %	
YEOMAO	Kaimei	None	Non current financial assets at fair value through other comprehensive income	824,645	37,274	0.42 %	37,274	0.42 %	
YEOMAO	ITEX	None	Non current financial assets at fair value through profit or loss	60,000	-	0.26 %	-	0.26 %	
YEOMAO	QuieTek	None	Non current financial assets at fair value through profit or loss	286,016	-	0.58 %	-	0.58 %	
YEOTAI	CAMEO	None	Non current financial assets at fair value through other comprehensive income	4,576,574	35,377	1.71 %	35,377	1.71 %	
YEOTAI	Z-Com	None	Non current financial assets at fair value through other comprehensive incom	50,000	650	0.07 %	650	0.07 %	
YEOTAI	QuieTek	None	Non current financial assets at fair value through profit or loss	3,143,224	-	6.34 %	-	6.34 %	
D-Link India	Aditya Birla Mutual Fund	None	Current financial assets at fair value through profit or loss	79,559	10,572	- %	10,572	- %	
D-Link India	Tata Mutual Fund	None	Current financial assets at fair value through profit or loss	9,788	12,668	- %	12,668	- %	
D-Link India	Uti Mutual Fund	None	Current financial assets at fair value through profit or loss	6,260	8,466	- %	8,466	- %	
D-Link India	Axis Mutual Fund	None	Current financial assets at fair value through profit or loss	20,843	19,013	- %	19,013	- %	
D-Link India	L&T Liquid Fund	None	Current financial assets at fair value through profit or loss	14,994	16,899	- %	16,899	- %	

(Continued)

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
D-Link Corporation	D-Link International	Subsidiary	(Sale and service revenue)	(547,400)	(32) %	60 days	No significant differences between related party and third party	No significant differences	31,673	11%	
D-Link Corporation	ALPHA	Investments accounted for using equity method	Purchase	199,109	24 %	90 days	No significant differences between related party and third party	No significant differences	(64,674)	(25)%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	547,400	70 %	60 days	No significant differences between related party and third party	No significant differences	(31,673)	(2)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sale)	(394,725)	(4) %	75 days	No significant differences between related party and third party	No significant differences	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sale)	(450,726)	(5) %	60 days	No significant differences between related party and third party	No significant differences	27,506	1%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sale)	(2,280,466)	(25) %	60 days	No significant differences between related party and third party	No significant differences	320,859	14%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sale)	(1,534,146)	(17) %	60 days	No significant differences between related party and third party	No significant differences	159,424	7%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sale)	(254,295)	(3) %	60 days	No significant differences between related party and third party	No significant differences	45,430	2%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sale)	(163,355)	(2) %	75 days	No significant differences between related party and third party	No significant differences	14,005	1%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sale)	(406,829)	(4) %	60 days	No significant differences between related party and third party	No significant differences	111,416	5%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sale)	(864,548)	(9) %	45 days	No significant differences between related party and third party	No significant differences	181,745	8%	

(Continued)

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sale)	(1,135,783)	(12) %	180 days	No significant differences between related party and third party	No significant differences	761,638	34%	
D-Link International	ALPHA	Investments accounted for using equity method by D-Link Corporation	Purchase	2,028,397	26 %	90 days	No significant differences between related party and third party	No significant differences	(473,490)	(23)%	
D-Link International	CAMEO	D-Link Corporation is the director of CAMEO	Purchase	1,581,972	20 %	90 days	No significant differences between related party and third party	No significant differences	(378,403)	(19)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	394,725	100 %	75 days	No significant differences between related party and third party	No significant differences	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	450,726	99 %	60 days	No significant differences between related party and third party	No significant differences	(27,506)	(80)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	2,280,466	98 %	60 days	No significant differences between related party and third party	No significant differences	(320,859)	(71)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,534,146	69 %	60 days	No significant differences between related party and third party	No significant differences	(159,424)	(52)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	254,295	98 %	60 days	No significant differences between related party and third party	No significant differences	(45,430)	(100)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	163,355	92 %	75 days	No significant differences between related party and third party	No significant differences	(14,005)	(14)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	406,829	66 %	60 days	No significant differences between related party and third party	No significant differences	(111,416)	(100)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	864,548	29 %	45 days	No significant differences between related party and third party	No significant differences	(181,745)	(41)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,135,783	98 %	180 days	No significant differences between related party and third party	No significant differences	(761,638)	(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	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	320,859	8.86	9,654	-	86,018	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	632,533	-	632,533	-	-	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	159,424	6.76	-	-	-	-
D-Link International	D-Link Shiang-Hai	The ultimate parent company is D-Link Corporation	529,649	0.04	514,837	-	-	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	111,416	3.18	-	-	29,310	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	181,745	4.81	-	-	59,471	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	761,638	2.98	-	-	-	-

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

Note 2: The amount represents collections subsequent to December 31, 2019 up to January 20, 2020.

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	Forward foreign exchange contract	JPY(Sell)	JPY	220,000	237	237
D-Link International	Forward foreign exchange contract	EUR(Sell)	EUR	6,540	(1,890)	(1,890)
D-Link International	Forward foreign exchange contract	AUD(Sell)	AUD	2,500	(1,553)	(1,553)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW	2,322,550	(328)	(328)
D-Link International	Forward foreign exchange contract	CAD(Sell)	CAD	2,200	(545)	(545)
D-Link International	Forward foreign exchange contract	CNH(Sell)	CNH	14,193	(1,086)	(1,086)
D-Link International	Forward foreign exchange contract	JPY(Sell)	JPY	110,000	(167)	(167)
D-Link Corporation	Forward foreign exchange contract	EUR(Sell)	EUR	460	(106)	(106)
D-Link India	Forward foreign exchange contract	USD(Buy)	USD	2,500	220	220
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL	12,001	(2,473)	(2,473)
D-Link International	Cross currency swap	RUB	RUB	192,014	980	980
D-Link International	Cross currency swap	CNH	CNH	95,880	(4,155)	(4,155)
D-Link International	Cross currency swap	EUR	EUR	2,000	(447)	(447)
D-Link International	Cross currency swap	GBP	GBP	1,100	(538)	(538)
D-Link Corporation	Cross currency swap	JPY	JPY	1,800,000	1,494	1,494
D-Link Corporation	Cross currency swap	USD	USD	22,900	(2,164)	(2,164)
D-Link Corporation	Cross currency swap	EUR	EUR	10,000	(5,498)	(5,498)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	D-Link Corporation	D-Link Systems	1	Investments accounted for using equity method	1,482,080	-	10.00%
0	D-Link Corporation	D-Link Canada	1	Investments accounted for using equity method	365,241	-	2.00%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	1,875,560	-	12.00%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,715,004	-	11.00%
0	D-Link Corporation	YEOCHIA	1	Investments accounted for using equity method	321,083	-	2.00%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	810,693	-	5.00%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	691,818	-	4.00%
0	D-Link Corporation	D-Link L.A.	1	Credit balance of Investments accounted for using equity method	(529,880)	-	(3.00)%
0	D-Link Corporation	D-Link International	1	Sale and service revenue	547,400	60 days	3.00%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	824,951		5.00%
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	1,188,878		8.00%
1	D-Link Holding	Success Stone Overseas Corp.	3	Investments accounted for using equity method	184,307		1.00%
1	D-Link Holding	D-Link Shiang-Hai (Cayman)	3	Credit balance of Investments accounted for using equity method	(504,010)		(3.00)%
2	D-Link International	D-Link L.A.	3	Accounts receivable – related party	632,533	75 days	4.00%
2	D-Link International	D-Link India	3	Accounts receivable – related party	181,745	45 days	1.00%
2	D Link International	D-Link Shiang-Hai	3	Accounts receivable – related party	529,649	90 days	3.00%
2	D-Link International	D-Link Europe	3	Accounts receivable – related party	320,859	60 days	2.00%
2	D-Link International	D-Link ME	3	Accounts receivable – related party	159,424	60 days	1.00%
2	D-Link International	D-Link Trade	3	Accounts receivable – related party	761,638	60 days	5.00%
2	D-Link International	D-Link Systems	3	Sale	394,725	75 days	2.00%
2	D-Link International	D-Link Europe	3	Sale	2,280,466	60 days	13.00%

(Continued)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	D-Link International	D-Link Brazil	3	Sale	163,355	75 days	1.00%
2	D-Link International	D-Link Canada	3	Sale	450,726	60 days	3.00%
2	D-Link International	D-Link Trade	3	Sale	1,135,783	180 days	7.00%
2	D-Link International	D-Link India	3	Sale	864,548	45 days	5.00%
2	D-Link International	D-Link ME	3	Sale	1,534,146	60 days	9.00%
2	D-Link International	D-Link Australia	3	Sale	254,295	60 days	1.00%
2	D-Link International	D-Link Japan	3	Sale	406,829	60 days	2.00%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	752,553	-	5.00%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	824,328	-	5.00%
4	D-Link Shiang-Hai (Cayman)	D-Link Shiang-Hai	3	Credit balance of Investments accounted for using equity method	(510,685)	-	(3.00)%
5	D-Link Europe Ltd.	D-Link Deutschland GmbH	3	Investments accounted for using equity method	167,931	-	1.00%

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 dislosed only for the amounts that exceed 1% of consolidated net revenue or total assets.

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	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 %	1,482,080	98.44 %	(5,657)	(5,657)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	283,866	283,866	8,736,000	100.00 %	365,241	100.00 %	10,341	10,341	
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 %	1,875,560	99.36 %	(269,837)	(230,951) note 1	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 %	810,694	83.33 %	32,768	32,768	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	1,139,093	2,964,836,727	100.00 %	18,576	100.00 %	(30,179)	(30,179)	100% shares owned by D-Link Corporation and D-Link Holding
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 %	136,256	99.90 %	(5,360)	(5,360)	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 %	1,715,005	100.00 %	9,908	16,791	

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Balance as of December 31, 2019: Shares (thousands)	Balance as of December 31, 2019: Percentage of ownership	Balance as of December 31, 2019: Carrying value	Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	691,818	100.00 %	49,410	49,410	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(144,373)	100.00 %	19,374	19,374	
D-Link Corporation	D-Link Deutsch land	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	- %	6,192	- note 3	100% shared owned by D-Link Corporation directly and indirectly
D-Link Corporation	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment end its components	993,420	1,039,768	104,480,022	20.11 %	1,875,878	20.11 %	238,903	60,246 note 1	20.43% shared owned by D-Link Corporation directly and indirectly
D-Link Corporation	YEOCHIA	Taiwan	Investment company	122,400	122,400	Note 2	100.00 %	321,083	100.00 %	5,191	5,191	
D-Link Corporation	YEOMAO	Taiwan	Investment company	70,052	70,052	10,220,271	100.00 %	56,325	100.00 %	(1,224)	(1,224)	
D-Link Corporation	YEOTAI	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	59,649	100.00 %	8,702	8,702	
D-Link Corporation	D-Link L.A.	Cayman Islands	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(529,880)	100.00 %	466	466	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	(4,110)	100.00 %	(6,788)	(6,788)	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 %	7,200	100.00 %	(1,025)	(1,025)	100% shares owned by D-Link Corporation and D-Link Sudamerica
D-Link Investment	D-Link Trade	Russia	Marketing and after-sales service in Russia	66,538	66,538	-	100.00 %	(143,065)	100.00 %	19,606	19,606	
D-Link International	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	22	22	1,000	0.10 %	20	0.10 %	(5,360)	-	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 %	31,792	16.67 %	32,768	-	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 %	(36,029)	100.00 %	(5,448)	(5,448)	
D-Link International	D-Link Trade M	Republic of Moldova	Marketing and after-sales service in Moldova	13	13	Note 2	100.00 %	(777)	100.00 %	78	78	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	752,553	100.00 %	(90,399)	(90,399)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after-sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,215	100.00 %	971	971	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after-sales service	3,574	3,574	1,000	100.00 %	2,994	100.00 %	488	488	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	824,951	100.00 %	68,469	68,469	
D Link Holding	D-Link Europe	UK	Marketing and after-sales service in Europe	971,293	971,293	34,455,055	100.00 %	1,188,878	100.00 %	26,940	26,940	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(504,010)	100.00 %	(84,764)	(84,764)	
D-Link Holding	D-Link Hong Kong	Hong Kong	Investment company	-	143	-	100.00 %	-	100.00 %	-	-	
D-Link Holding	OOO D Link Russia	Russia	After-sales service in Russia	11,309	11,309	Note 2	100.00 %	5,903	100.00 %	(48)	(48)	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after-sales service	8,466	8,466	425,340	0.64 %	(8,931)	0.64 %	(269,837)	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	D-Link Systems	USA	Marketing and after-sales service in USA	49,320	49,320	750,000	1.56 %	45,159	1.56 %	(5,657)	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after-sales service	68,566	68,566	1,000,000	100.00 %	1,528	100.00 %	(219)	(219)	
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	184,307	100.00 %	(477)	(477)	
D-Link Holding	MiiiCasa Holding	Cayman Islands	Investment company	61,087	61,087	21,000,000	28.98 %	-	28.98 %	(1,130)	-	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	-	-	100	- %	-	- %	(30,179)	-	D-Link Brazil share's profit recognized in D-Link Corporation

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	-	-	1	- %	-	- %	(6,788)	-	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 %	824,328	51.02 %	135,946	69,360	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	0.01 %	45	-	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 %	117,169	99.99 %	45	45	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A.	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	-	-	1	0.12 %	1	0.12 %	15	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica
D-Link L.A.	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	-	-	1	0.03 %	(2)	0.03 %	1,001	-	D-Link Peru S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after-sales service in Argentina	2,750	2,750	100	100.00 %	139	100.00 %	(70)	(70)	
D-Link Sudamerica	D-Link de Colombia S.A.S.	Colombia	Marketing and after-sales service in Colombia	22,213	22,213	1,443,605	100.00 %	8,530	100.00 %	(102)	(102)	
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	26	26	799	99.88 %	536	99.88 %	15	15	100% shares owned by D-Link L.A. and D-Link Sudamerica
D-Link Sudamerica	D-Link Guatemala	Guatemala	Marketing and after-sales service in Guatemala	410	410	99,000	99.00 %	557	99.00 %	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	38	38	3,499	99.97 %	(7,280)	99.97 %	1,001	1,001	100% shares owned by D-Link L.A. and D-Link Sudamerica
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	6	6	3	- %	-	- %	(1,025)	-	
D-Link Europe	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	131,769	131,769	Note 2	100.00 %	167,931	100.00 %	6,192	6,192	
D-Link Europe	D-Link AB	Sweden	Marketing and after-sales service in Sweden	9,022	9,022	15,500	100.00 %	13,559	100.00 %	1,182	1,182	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after-sales service in Spain	1,976	1,976	50,000	100.00 %	53,144	100.00 %	5,432	5,432	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after-sales service in Italy	2,177	2,177	50,000	100.00 %	19,257	100.00 %	(6,700)	(6,700)	
D-Link Europe	D-Link (Holdings) Ltd.	UK	Investment company	-	-	3	100.00 %	9,679	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 %	35,649	100.00 %	4,960	4,960	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after-sales service in Netherlands	2,132	2,132	50,000	100.00 %	5,748	100.00 %	531	531	
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 %	26,803	100.00 %	1,812	1,812	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after-sales service in Hungary	523	523	300	100.00 %	10,699	100.00 %	66	66	
D-Link Europe	D-Link s.r.o.	Czech	Marketing and after-sales service in Czech	329	329	100	100.00 %	9,311	100.00 %	231	231	
D-Link Mediferraneo SRL	D-Link Adria d.o.o	Croatia	Marketing and after-sales service in Croatia	326	-	-	100.00 %	1,285	100.00 %	27	27	
D-Link (Holdings) Ltd.	D-Link UK	UK	Marketing and after-sales service in UK	-	-	300,100	100.00 %	9,679	100.00 %	-	-	
D-Link ME	D-Link Network	South Africa	Marketing and after-sales service in South Africa	-	-	-	100.00 %	-	100.00 %	-	-	
YEOCHIA and YEOMAO	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment and its components	196,416	224,549	6,372,276	1.17 %	153,808	1.39 %	238,903	3,078	
YEOCHIA and YEOTAI	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	181,500	181,500	1,832,446	41.18 %	-	41.18 %	9,305	-	

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

Note 2: Limited Company

Note 3: Share of profit (loss) of associates accounted for using equity method was recognized in D-Link Europe.

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

(Continued)

(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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Highest Percentage of ownership	Accumu-lated remittance of earnings in current period
					Outflow	Inflow								
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	587,067	2	587,067	-	-	587,067	(85,541)	100.00%	100.00%	(85,541) (Note 2)	(510,685)	-	-
Netpro Trading	Research, development and trading business	21,074	2	19,644	-	-	19,644	777	100.00%	100.00%	777	10,472	-	-
YouXiang	Technical Service and Import/Export trading business	61,281	2	-	-	-	-	(29,324)	9.86%	9.86%	-	2,245	-	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Other

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 30.11, RMB 4.32 as of December 31, 2019.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
606,711	606,711	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”.

(Continued)

(14) Segment information:

The Consolidated Company has three reportable segments that include the 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.

(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.

	2019				
	Americas	**Europe**	**Emerging markets and others**	**Adjustments and eliminations**	**Total**
Revenue:					
Third-party customers	$ 2,222,383	3,382,293	11,391,372	-	16,996,048
Inter-company	11,132	3,486	3,394,959	(3,409,577)	-
Total revenue	**$ 2,233,515**	**3,385,779**	**14,786,331**	**(3,409,577)**	**16,996,048**
Reportable segment profit (loss)	**$ (11,235)**	**43,683**	**(590,289)**	**268,288**	**(289,553)**

	2018				
	Americas	**Europe**	**Emerging markets and others**	**Adjustments and eliminations**	**Total**
Revenue:					
Third-party customers	$ 2,717,141	5,492,355	11,173,707	-	19,383,203
Inter-company	6,429	3,660	4,930,162	(4,940,251)	-
Total revenue	**$ 2,723,570**	**5,496,015**	**16,103,869**	**(4,940,251)**	**19,383,203**
Reportable segment profit (loss)	**$ (28,477)**	**154,097**	**571,980**	**(400,203)**	**297,397**

	Americas	**Europe**	**Emerging markets and others**	**Adjustments and eliminations**	**Total**
Reportable segment assets:					
December 31, 2019	**$ 2,987,295**	**2,433,688**	**22,651,379**	**(12,361,352)**	**15,711,010**
December 31, 2018	**$ 3,326,168**	**2,196,782**	**25,686,590**	**(13,602,717)**	**17,606,823**

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenues after deducting the intergroup revenues were $3,409,577 thousand and $4,940,251 thousand in 2019 and 2018, respectively.

The Consolidated Company does not allocate tax expense to reportable segments. The operating segments' profit and loss is measured as income before income taxes. It evaluates performance on the basis of the reportable amount which is the same as that of the report used by the chief operating decision maker.

(b) Information on the products and services

Revenue from the external customer of the Consolidated Company, please refer to 6(v).

(c) Geographic information

Country		**2019**	**2018**
Revenue from external customers:			
Non-current assets			
Taiwan	$	932,684	994,051
India		432,920	438,794
Other countries		1,079,891	620,651
Total	$	**2,445,495**	**2,053,496**

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 in 2019 and 2018.

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Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

Opinion

We have audited the financial statements of D-LINK CORPORATION, which comprise the statement of financial position as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 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 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 Matter

We did not audit the financial statements of D-Link International Ptd. Ltd., a subsidiary of D-Link Corporation. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for D-Link International Pte. Ltd., is based solely on the report of another auditor. Investments accounted for using equity method of D-Link International Pte. Ltd. reflect the total assets of $1,556,378 thousand and $1,666,530 thousand, constituting 13% and 12%, of the total assets at December 31, 2019 and 2018, respectively, and the share of profit (loss) of associates accounted for using equity method of $(78,236) thousand and $(31,699) thousand, constituting 15% and (27)%, respectivly, of the net profit (loss) before tax for the years ended December 31, 2019 and 2018, respectively.

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Key Audit Matters

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

1. Evaluation of investments accounted for using equity method

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

   Key Audit Matter Explanation:

   Investments accounted for using equity method is a material asset to D-LINK CORPORATION, and is significant to its financial statements, with a book value amounting to $9,535,414 thousand as of December 31, 2019. 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(q) for accounting policy of revenue recognition and Note 6(s) for sales details of the financial statements.

   Key Audit Matter Explanation:

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

   How the matter was addressed in our audit:

   We tested the effectiveness of the Company' s controls surrounding revenue recognition; reviewed sales contracts and relevant sales documents to evaluate whether the timing and the amount of revenue recognition are consistent with the sales contracts; 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.

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2020

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 and Report Originally Issued in Chinese)

D-LINK CORPORATION

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 493,602	4	71,776	1
1110	Financial assets at fair value through profit or loss — current (notes 6(b) and (n))	1,494	-	6,189	-
1150	Notes receivable, net (note 6(c))	8,802	-	29,541	-
1170	Accounts receivable, net (note 6(c))	240,854	2	156,962	1
1180	Accounts receivable due from related parties, net (note 7)	51,828	-	52,432	-
1200	Other receivables (notes 6(c) and 7)	43,600	-	1,025,960	8
1220	Current tax assets	196	-	28	-
130X	Inventories (note 6(d))	116,786	1	90,540	1
1410	Other current assets	30,168	-	54,259	1
		987,330	7	1,487,687	12
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income — non current (note 6(b))	166,183	2	179,728	1
1550	Investments accounted for using equity method (note 6(e) and 7)	9,535,414	79	10,407,799	78
1600	Property, plant and equipment (notes 6(g) and 7)	745,800	6	751,255	6
1755	Right-of-use assets (note 6(f))	19,231	-	-	-
1760	Investment property, net (note 6(h))	39,669	-	40,065	-
1780	Intangible assets (note 6(i))	122,932	1	151,887	1
1840	Deferred tax assets (note 6(p))	435,438	5	304,136	2
1900	Other non-current assets (note 8)	5,053	-	50,844	-
		11,069,720	93	11,885,714	88
	Total assets	$ 12,057,050	100	13,373,401	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term loans (notes 6(l) and 7)	$ 1,438,269	12	1,230,300	9
2120	Financial liabilities at fair value through profit or loss — current (notes 6(b) and (n))	73,148	1	19,374	-
2130	Contract liabilities — current (note 6(s))	7,832	-	38,432	-
2150	Notes payable	256	-	15	-
2170	Accounts payable	186,993	2	95,877	1
2180	Accounts payable to related parties (note 7)	75,169	1	85,074	1
2200	Other payables (note 7)	376,389	3	1,321,150	9
2250	Provisions — current (note 6(l))	150,862	1	126,716	1
2280	Current lease liabilities (note 6(k))	4,021	-	-	-
2365	Refund liability-current (note 6(m))	47,682	-	68,823	1
2300	Other current liabilities (note 6(n))	357,577	3	466,707	3
		2,718,198	23	3,452,468	25
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(p))	152,434	1	3,085	-
2580	Non-current lease liabilities (note 6(k))	15,355	-	-	-
2600	Other non-current liabilities (notes 6(e), (o) and 7)	697,649	6	718,361	5
		865,438	7	721,446	5
	Total liabilities	3,583,636	30	4,173,914	30
	Equity: (note 6(q))				
3100	Capital stock	6,519,961	54	6,519,961	49
3200	Capital surplus	1,598,807	13	1,669,905	13
	Retained earnings:				
3310	Legal reserve	2,053,379	17	2,107,941	16
3320	Special reserve	205,562	2	-	-
3350	Unappropriated retained earnings (Accumulated deficit)	(499,008)	(4)	216,200	2
		1,759,933	15	2,324,141	18
3400	Other equity interest (note 6(q))	(1,405,287)	(12)	(1,314,520)	(10)
	Total equity	8,473,414	70	9,199,487	70
	Total liabilities and equity	$ 12,057,050	100	13,373,401	100

See accompanying notes to parent company only financial statements.

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

D-LINK CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019 Amount	2019 %	2018 Amount	2018 %
4000	**Net operating revenues** (notes 6(s) and 7)	$ 1,701,547	100	1,726,707	100
5000	**Operating costs (notes 6(d) and 7)**	798,648	47	649,208	38
	Gross profit (loss) from operations	902,899	53	1,077,499	62
	Operating expenses: (notes 6(c), (g), (h), (i), (k), (o) and (t))				
6100	Selling expenses	369,557	22	372,870	22
6200	Administrative expenses	258,449	15	303,393	18
6300	Research and development expenses	701,083	41	664,549	38
6450	Expected credit loss (note 6(c))	1,056	-	10	-
		1,330,145	78	1,340,822	78
	Net operating loss	(427,246)	(25)	(263,323)	(16)
	Non-operating income and expenses:				
7010	Other income (notes 6(u) and 7)	16,717	-	4,627	-
7020	Other gains and losses (note 6(b), (n) and 7)	(13,239)	-	49,520	3
7050	Finance costs (notes 6(k), (n), (u) and 7)	(11,892)	-	(13,928)	(1)
7060	Share of profit (loss) of associates accounted for using equity method (note 6(e))	(77,895)	(5)	340,356	20
	Total non-operating income and expenses	(86,309)	(5)	380,575	22
	Profit (loss) before tax	(513,555)	(30)	117,252	6
7950	**Less: Income tax (benefit) expenses (note 6(p))**	(5,228)	-	10,878	1
	Profit (loss)	(508,327)	(30)	106,374	5
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss (note 6(o))**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(o))	5,070	-	(3,751)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(13,544)	-	9,460	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	4,258	-	(77,044)	(4)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(4,216)	-	(71,335)	(3)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(q) and (v))**				
8361	Exchange differences on translation	(66,626)	(4)	(18,822)	(1)
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(10,826)	-	14,637	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	(4,016)	-	16,892	1
		(73,436)	(4)	(21,077)	(1)
8300	**Other comprehensive loss, net**	(77,652)	(4)	(92,412)	(4)
	Total comprehensive income	$ (585,979)	(34)	13,962	1
	Basic earnings per share (New Taiwan dollars) (note 6(r))	$	(0.78)		0.16
	Diluted earnings per share (New Taiwan dollars) (note 6(r))	$	(0.78)		0.16

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, 2019 and 2018

(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	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Others	Treasury shares	Total equity
Balance at January 1, 2018	$ 6,519,961	1,588,696	2,107,941	-	(203,814)	(1,102,381)	-	152,864	1,109	(44,400)	(17,912)	9,002,064
Effects of retrospective application	-	-	-	-	226,054	-	(73,190)	(152,864)	-	-	-	-
Equity at beginning of period after adjustments	6,519,961	1,588,696	2,107,941	-	22,240	(1,102,381)	(73,190)	-	1,109	(44,400)	(17,912)	9,002,064
Profit	-	-	-	-	106,374	-	-	-	-	-	-	106,374
Other comprehensive income	-	-	-	-	(4,601)	(49,230)	(66,734)	-	(1,109)	29,262	-	(92,412)
Total comprehensive income	-	-	-	-	101,773	(49,230)	(66,734)	-	(1,109)	29,262	-	13,962
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	73,950	-	-	84,340	-	-	-	-	-	-	158,290
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,847	-	(7,847)	-	-	-	-	-
Treasury shares sold to employees	-	7,259	-	-	-	-	-	-	-	-	17,912	25,171
Balance at December 31, 2018	6,519,961	1,669,905	2,107,941	-	216,200	(1,151,611)	(147,771)	-	-	(15,138)	-	9,199,487
Effects of retrospective application (accounted for using equity method)	-	-	-	-	(3,796)	-	-	-	-	-	-	(3,796)
Equity at beginning of period after adjustments	6,519,961	1,669,905	2,107,941	-	212,404	(1,151,611)	(147,771)	-	-	(15,138)	-	9,195,691
loss	-	-	-	-	(508,327)	-	-	-	-	-	-	(508,327)
Other comprehensive income	-	-	-	-	1,205	(85,090)	(5,421)	-	-	11,654	-	(77,652)
Total comprehensive income	-	-	-	-	(507,122)	(85,090)	(5,421)	-	-	11,654	-	(585,979)
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	10,638	-	(10,638)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	205,562	(205,562)	-	-	-	-	-	-	-
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(5,898)	-	-	-	-	-	-	-	-	-	(5,898)
Cash dividends from capital surplus	-	(65,200)	-	-	-	-	-	-	-	-	-	(65,200)
Cash dividends from leagl reserve	-	-	(65,200)	-	-	-	-	-	-	-	-	(65,200)
Subsidiaries disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	11,910	-	(11,910)	-	-	-	-	-
Balance at December 31, 2019	$ 6,519,961	1,598,807	2,053,379	205,562	(499,008)	(1,236,701)	(165,102)	-	-	(3,484)	-	8,473,414

See accompanying notes to parent company only financial statements.

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

D-LINK CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ (513,555)	117,252
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	63,912	71,800
Amortization expense	51,133	39,310
Expected credit loss (gain)	1,052	(10)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	77,932	(58,545)
Interest expense	11,892	13,928
Interest income	(279)	(303)
Compensation cost of share-based payment transaction	-	7,247
Share of loss (profit) of subsidiaries and associates accounted for using equity method	77,895	(340,356)
Loss (gain) on disposal of property, plan and equipment	(191)	5,046
Loss (gain) on disposal of investments	(29,558)	16,163
Reversal of impairment loss on non-financial assets	-	(8,000)
Other	11,182	(6,801)
Total adjustments to reconcile profit (loss)	264,970	(260,521)
Changes in operating assets and liabilities:		
Decrease in notes receivable	20,739	3,611
Increase in accounts receivable	(84,944)	(34,948)
Decrease in accounts receivable due from related parties	604	6,520
Decrease (increase) in other receivable	982,360	(152,788)
Increase in inventories	(33,559)	(16,063)
Decrease (increase) in other current assets	24,091	(21,095)
Increase in other non-current assets	261	(61,185)
Total changes in operating assets	909,552	(275,948)
Increase (decrease) in contract liabilities	(30,600)	25,871
Increase (decrease) in notes payable	240	(396)
Increase in accounts payable	91,116	25,179
Decrease in accounts payable to related parties	(9,905)	(3,008)
Increase (decrease) in other payable	(914,450)	252,602
Increase (decrease) in provisions	(11,890)	1,725
Increase (decrease) in refund liabilities	(21,141)	14,890
Increase in other current liabilities	3,754	1,678
Decrease in other non-current liabilities	(3,187)	(2,452)
Total changes in operating liabilities	(896,063)	316,089
Total changes in operating assets and liabilities	13,489	40,141
Total adjustments	278,459	(220,380)
Cash outflow generated from operations	(235,096)	(103,128)
Interest received	279	303
Dividends received	618,164	485,493
Interest paid	(3,972)	(7,394)
Income taxes paid	(746)	(1,569)
Net cash flows from operating activities	378,629	373,705
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(247,407)
Proceeds from capital reduction of investments accounted for using equity method	-	21,000
Acquisition of property, plant and equipment	(57,310)	(42,609)
Proceeds from disposal of property, plant and equipment	191	31,280
Acquisition of intangible assets	(22,178)	(61,129)
Other investing activities	45,531	32,711
Net cash flows used in investing activities	(33,766)	(266,154)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	207,969	(231,620)
Payment of lease liabilities	(606)	-
Cash dividends paid	(130,400)	-
Treasury shares sold to employees	-	17,924
Net cash flows from (used in) financing activities	76,963	(213,696)
Net increase (decrease) in cash and cash equivalents	421,826	(106,145)
Cash and cash equivalents at beginning of period	71,776	177,921
Cash and cash equivalents at end of period	$ 493,602	71,776

See accompanying notes to parent company only financial statements.

(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 Affair, Republic of China ("ROC"). The address of its registered office is No.289, Xinhu 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 18, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

(Continued)

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office building and leases of office equipment.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

  In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

  — Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

 (Continued)

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised $0 of right-of-use assets and lease liabilities. In addition, the impact of adoption from investment accounted for using equity method on January 1, 2019, the Company derecognised additional $3,796 thousand of retained earnings.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of significant changes are as follows:

Amendments to IFRS 3 “Business Combinations”

This amendment is a narrow-scope to improve the definition of a business and will likely result in more acquisitions being accounted for as asset acquisitions. This amendment is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. the Company do not anticipate that the application of this Standard will have a material impact on the Company’ s financial statements, but may have an impact on the assessment and accounting for future acquisitions.

 (Continued)

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

(4) Summary of significant accounting policies:

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

(a) Statement of Compliance

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

(b) Basis of Preparation

(i) Basis of Measurement

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

1) Financial instruments (including derivative financial instruments) at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) Equity-settled share-based payment are measured at fair value;

4) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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.

(Continued)

(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 it is settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are shortterm, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting shortterm 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

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attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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

· how the performance of the portfolio is evaluated and reported to the Company's management;

(Continued)

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

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

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

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

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

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

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

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, fianacial 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:

(Continued)

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 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 charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) 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.

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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.

(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.

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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.

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.

(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.

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(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings and improvements: 5~55 years

2) Transportation, office equipment and others: 2~9 years

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 owneroccupied to investment property.

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

(Continued)

- the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(iii) As a leasor

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'.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Leases are classified as operating leases if it doesn't transfer substantially all the risks and rewards incidental to ownership. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the lease term.

(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.

(Continued)

(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.

(i) Warranties

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

(ii) Legal proceedings and royalties

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

(p) Treasury stocks

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Share Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(q) Revenue from contracts with customers

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

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

(Continued)

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(p).

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(Continued)

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.

(s) Share-based payment

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

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

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

(t) Income Taxes

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

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

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

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

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

(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 reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

(i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(u) Earnings per share

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

 (Continued)

(v) Operating segments

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

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

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

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

(a) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 432	718
Checking and saving accounts	493,170	71,058
	$ 493,602	**71,776**

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.

(Continued)

(b) Financial Assets and Liabilities

(i) Details as follows

Financial assets and liabilities at fair value through profit or loss:

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss - current			
Cross currency swaps	$	**1,494**	**6,189**
Financial liabilities at fair value through profit or loss – current			
Cross currency swaps	$	7,662	58
Forward foreign exchange contracts		106	-
Exchangeable corporate bonds embeded derivative		65,380	19,316
	$	**73,148**	**19,374**
Financial assets at fair value through other comprehensive income – non-current			
Cameo Communication, Inc. (CAMEO)	$	**166,183**	**179,728**

1) For disclosures on credit, currency and interest rate risks in financial instruments please refer to note 6(w).

2) As of December 31, 2019 and 2018, 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:

	2019		2018	
Security price at reporting date	**After-tax other comprehensive income (loss)**	**After-tax profit (loss)**	**After-tax other comprehensive income (loss)**	**After-tax profit (loss)**
Increase 3%	$ **4,985**	-	**5,392**	-
Decrease 3%	$ **(4,985)**	-	**(5,392)**	-

(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, 2019 and 2018, transactions that do not qualify for hedging accounting are presented as held-for-treading financial assets were as follows:

(Continued)

1) Derivative financial assets

	December 31, 2019			December 31, 2018		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
JPY	$ 1,800,000	JPY	2020.7 ~2020.12	1,000,000	JPY	2019.12

2) Derivative financial liabilities

	December 31, 2019			December 31, 2018		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	$ 22,900	USD	2020.01 ~2020.03	2,000	USD	2019.03
EUR	10,000	EUR	2020.01	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	460	EUR	2020.01 ~2020.02	-	-	-
Exchngeable corporate bonds embeded derivative:						
NTD	299,600	NTD	2020.06	390,800	NTD	2020.06

(c) Notes and accounts receivable and other receivables

	December 31, 2019	December 31, 2018
Notes receivable for operating activities	$ 8,802	29,541
Accounts receivable for operating activities	242,597	157,653
Other receivables	43,600	1,025,960
	294,999	1,213,154
Less: allowance for doubtful accounts	(1,743)	(691)
	$ 293,256	**1,212,463**

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 2019 and 2018 was determined as follows:

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 286,159	0.05%	1,649
90 days or less past due	8,840	1.06%	94
	$ 294,999		1,743

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 1,206,009	0.00%	617
90 days or less past due	7,145	1.04%	74
	$ 1,213,154		691

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

	2019	**2018**
Balance at January 1, 2019 and 2018	$ 691	701
Impairment loss recognized	1,052	-
Expected credit loss reversed	-	(10)
Balance at December 31, 2019 and 2018	$ 1,743	691

(d) Inventories

	December 31, 2019	**December 31, 2018**
Finished goods	$ 116,786	90,540

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, 2019 and 2018, the cost of goods delivered were $762,378 thousand and $629,151 thousand, respectively. Write-down of inventories to net realizable value is recorded as cost of goods sold and increase by $7,314 thousand and decrease by $5,104 thousand in 2019 and 2018, respectively. In 2019 and 2018, the warranty expenses, inventory losses from obsolescence and others amounted to $28,956 thousand and $25,161 thousand, respectively.

As of December 31, 2019 and 2018, no inventories were pledged as collateral.

(Continued)

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 7,659,536	8,384,328
Associates	1,875,878	2,023,471
	9,535,414	10,407,799
Less: Debit balance of equity investment (In other non-current liabilities)	(678,363)	(690,819)
	$ 8,857,051	**9,716,980**

(i) YEOTAI, the Company' s the investment accounted for using equity method, reduced its capital by cash in 2018, and the Company received cash for $21,000 thousand.

(ii) D-Link Brazil, the Company's investment accounted for using equity method, redued capital to offset deficit for 2,770,000 thousand shares (BRL$27,700 thousand) in December 2019 and increased capital for $247,407 thousand (US$8,000 thousand) in October 2018.

1) Subsidiaries

Please refer to the 2019 consolidated financial statements.

2) Associates

Name of Associate	Name of relationship with the Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held December 31, 2019	Ownership interest/ Voting rights held December 31, 2018
Alpha Networks, Inc. (Alpha)	The major business are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	19.26 %	20.09 %

(Continued)

1) The financial information of Alpha was summarized as follows:

		December 31, 2019	December 31, 2018
Current assets	$	19,148,501	12,517,041
Non-current assets		5,851,867	2,433,592
Current liabilities		9,584,608	4,194,712
Non-current liabilities		1,368,466	362,170
Net assets	**$**	**14,047,294**	**10,393,751**
Net assets attributable to investee's shareholders	**$**	**14,047,294**	**10,393,751**

		2019	2018
Operating revenue	**$**	**15,825,808**	**15,608,222**
Net income (loss)	$	238,903	(88,009)
Other comprehensive loss		(122,759)	(76,053)
Total comprehensive income (loss)	**$**	**116,144**	**(164,062)**
Total comprehensive income (loss) attributable to investee's shareholders	**$**	**116,144**	**(164,062)**

		2019	2018
the Company's share in associate's net assets at beginning of year	$	2,086,492	2,153,875
Comprehensive income attributable to the Company		33,903	(94,949)
Changes in equity of associates using equity method		(5,218)	154,310
Dividends received during the year		(109,232)	(109,191)
Less: exchange of exchangeable bond and sell of shares		(85,646)	(17,553)
the Company's share in associate's net assets at end of year		1,920,299	2,086,492
Less: unrealized gains or losses		(45,819)	(64,419)
Add: goodwill		1,398	1,398
Carrying amounts of investments accounted for using equity method	**$**	**1,875,878**	**2,023,471**

(Continued)

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

	December 31, 2019	December 31, 2018
Alpha	$ 2,460,505	1,807,107

(iii) Pledges

As of December 31, 2019 and 2018, no investment accounted for using equity methods is pledged as collateral.

(f) Right-of-use assets

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

	Buildings
Cost:	
Balance at January 1, 2019	$ -
Increase	19,982
Balance at December 31, 2019	$ 19,982
Accumulated Depreciation:	
Balance at January 1, 2019	$ -
Increase	751
Balance at December 31, 2019	$ 751
Carrying amount:	
Balance at December 31, 2019	$ 19,231

The Company leases offices under an operating lease.

(g) Property, plant and equipment

	2019				
	Balance as of January 1, 2019	Increase	Decrease	Transfer	Balance as of December 31, 2019
Cost:					
Land	$ 531,453	-	-	-	531,453
Buildings	546,186	412	-	-	546,598
Others	645,175	56,898	9,540	-	692,533
	1,722,814	57,310	9,540	-	1,770,584
Accumulated depreciation:					
Buildings	414,702	5,622	-	-	420,324
Others	556,857	57,143	9,540	-	604,460
	971,559	62,765	9,540	-	1,024,784
	$ 751,255	(5,455)	-	-	745,800

(Continued)

	2018				
	Balance as of January 1, 2018	**Increase**	**Decrease**	**Transfer**	**Balance as of December 31, 2018**
Cost:					
Land	$ 558,930	-	27,477	-	531,453
Buildings	560,257	1,597	15,668	-	546,186
Others	726,337	41,012	122,174	-	645,175
	1,845,524	42,609	165,319	-	1,722,814
Accumulated depreciation:					
Buildings	415,412	6,331	7,041	-	414,702
Others	613,737	65,072	121,952	-	556,857
	1,029,149	71,403	128,993	-	971,559
Accumulated impairment:					
Buildings	8,000	-	8,000	-	-
	$ 808,375	**(28,794)**	**28,326**	**-**	**751,255**

The Company disposal property, plant and equipment with book value $36,326 thousand, and the disposal amount was $31,280 thousand, and recognized $5,046 thousand of disposal loss.

As of December 31, 2019 and 2018, no property, plant and equipment were pledged as collateral.

(h) Investment property

	2019				
	Balance at January 1, 2019	**Increase**	**Decrease**	**Transfer**	**Balance at December 31, 2019**
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	11,131	396	-	-	11,527
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 40,065	**(396)**	**-**	**-**	**39,669**

(Continued)

	2018				
	Balance at January 1, 2018	**Increase**	**Decrease**	**Transfer**	**Balance at December 31, 2018**
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	10,734	397	-	-	11,131
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 40,462	**(397)**	**-**	**-**	**40,065**

	December 31, 2019	**December 31, 2018**
Book value	**$ 39,669**	**40,065**
Fair value	**$ 46,993**	**51,555**

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 $306 thousand and $310 thousand in 2019 and 2018, respectively.

As of December 31, 2019 and 2018, 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, 2019 and 2018, no investment property was pledged as collateral.

(i) Intangible assets

	2019				
	Balance as of January 1, 2019	**Increase**	**Decrease**	**Amortization**	**Balance as of December 31, 2019**
Patents	23,103	-	-	(2,692)	20,411
Computer software costs	91,445	16,079	-	(32,036)	75,488
Other intangible assets	37,339	6,099	-	(16,405)	27,033
	$ 151,887	**22,178**	**-**	**(51,133)**	**122,932**

(Continued)

	2018				
	Balance as of January 1, 2018	**Increase**	**Decrease**	**Amortization**	**Balance as of December 31, 2018**
Patents	25,794	-	-	(2,691)	23,103
Computer software costs	104,274	18,065	-	(30,894)	91,445
Other intangible assets	-	43,064	-	(5,725)	37,339
	$ 130,068	61,129	-	(39,310)	151,887

(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, 2019	December 31, 2018
Unsecured bank loans	TWD	0.95%~1.01%	2019	$ -	950,000
Other short-term loans	USD	-	2020	602,120	-
Other short-term loans	EUR	1%	2020	337,549	-
Other short-term loans	JPY	0.5%	2019~2020	498,600	280,300
Total				$ 1,438,269	1,230,300
Unused credit facilities				$ 4,155,866	3,290,697

Other short-term loans are borrowing from the subsidiaries. Please refer note 7(b) for further information.

(ii) Long-term Loans

As of December 31, 2019 and 2018, the Company did not have long-term loans. As of December 31, 2019 and 2018, the unused credit facilities amounted to $500,000 thousand.

(k) Lease liabilities

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

	December 31, 2019
Current	$ 4,021
Non-current	$ 15,355

 (Continued)

The amounts recognized in profit or loss were as follows:

	2019
Interests on lease liabilities	$ 25
Expenses relating to short-term leases	$ 4,286

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

	2019
Total cash outflow for leases	$ 4,917

Real estate leases

As of December 31, 2019, the Company leases buildings for its office space. The leases of office space typically run for 1 year. 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

	2019						
	Balance at January 1, 2019	Increase	Used	Reversed	Reclassification	Effect of exchange	Balance at December 31, 2019
Warranties	$ 66,787	5,045	(6,049)	-	-	-	65,783
Legal proceedings and royalties	59,929	-	(5,841)	-	33,169	(2,178)	85,079
	$ 126,716	5,045	(11,890)	-	33,169	(2,178)	150,862

	2018					
	Balance at January 1, 2018	Increase	Used	Reversed	Effect of exchange	Balance at December 31, 2018
Warranties	$ 68,482	8,166	(9,861)	-	-	66,787
Legal proceedings and royalties	58,204	-	-	-	1,725	59,929
	$ 126,686	8,166	(9,861)	-	1,725	126,716

(m) Refund liabilities

	December 31, 2019	December 31, 2018
Refund liabilities	$ 47,682	68,823

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

(n) Bonds payable

Exchangeable corporate bonds

		December 31, 2019	December 31, 2018
Exchangeable bonds	$	1,200,000	1,200,000
Less: Discount and unamortized issuance cost		1,403	(4,781)
Accumulated exchanged bonds		(900,400)	(809,200)
Balance of exchangeable bonds	$	**301,003**	**386,019**
Embedded derivatives:			
Conversion options, included in financial liabilities at fair value through profit or loss	$	**65,380**	**19,316**

		2019	2018
Embedded derivative-loss (gains) measured at fair value, included in other gains and losses	$	**65,527**	**(50,765)**
Interest expense	$	**6,062**	**6,534**

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, 2019, the bondholders have already exchanged 9,004 units.

(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, 2019, the bondholders exchanged 912 units amounted to $91,200 thousand for 4,711 thousand of Alpha's common shares at $19.36 per share and the Company recognized the profit amounted to 24,171 thousand. For the year ended December 31, 2018, the bondholders exchanged 195 units amounted to $19,500 thousand for 912 thousand of Alpha's common shares at $21.37 per share and the Company recognized the profit amounted to $4,554 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 bauds have sold back. Exercising the right, the bondholder may notify the stock agency of the Company in writing within 30 days after the movement, request the Company to add the interest declutched by the denomination of the bond, and redeem the exchange bonds held by it in cash. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date. The maturity of request that the Company redeem the bonds have been already reached. There are no Bondholder to exercise the put option till the redemption date of June 17, 2017.

(o) Employee benefits

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

		December 31, 2019	December 31, 2018
Present value of benefit obligations	$	104,051	118,396
Fair value of plan assets		(87,839)	(96,088)
Deficit in the plan	**$**	**16,212**	**22,308**

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 $87,873 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 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligation at January 1	$	118,396	115,408
Current service costs and interests		2,641	2,912
Remeasurement of the net defined benefit liabilities			
－Actuarial losses from changes in the financial assumptions		3,659	4,136
－Actuarial (gains) losses from changes in experience adjustments		(5,684)	2,013
Benefits paid by the plan		(14,961)	(6,073)
Defined benefit obligation at December 31	**$**	**104,051**	**118,396**

(Continued)

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2019 and 2018 were as follows:

		2019	2018
Fair value of plan assets at January 1	$	96,088	95,081
Interest income		1,341	1,562
Remeasurement of the net defined benefit liabilities			
—Actuarial return on plan assets (excluding interests)		3,045	2,398
Contributions made		2,326	3,120
Benefits paid by the plan		(14,961)	(6,073)
Fair value of plan assets at December 31	**$**	**87,839**	**96,088**

4) Expenses recognized in profit or loss

The Company’s expenses recognized in profit or loss for 2019 and 2018 were as follow:

		2019	2018
Current service costs	$	1,014	1,037
Net interest on the net defined benefit obligation		286	313
	$	**1,300**	**1,350**

		2019	2018
Operating costs	$	20	21
Selling expenses		669	603
Administrative expenses		260	409
Research and development expenses		351	317
	$	**1,300**	**1,350**

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

The Company’s remeasurement of the net define befinit liabilities recognized in other comprehensive income for the years ended December 31, 2019 and 2018were as follows:

		2019	2018
Balance on January 1	$	56,934	53,183
Recognized		(5,070)	3,751
Balance on December 31	**$**	**51,864**	**56,934**

(Continued)

6) Actuarial assumptions

The following were the actuarial assumptions at the year end reporting date:

	2019.12.31	2018.12.31
Discount rate	1.125 %	1.375 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of $1,891 thousand to the plan for the next annual reporting period.

The weighted average duration of defined benefit obligation is 16.32 years and 16.38 years in 2019 and 2018, respectively.

7) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2019 and 2018 was as follows:

	Effective of defined benefit liabilities	
	Increase	Decrease
December 31, 2019		
Discount rate (0.25% change)	$ (3,659)	3,822
Future salary increase (0.25% change)	3,684	(3,549)
December 31, 2018		
Discount rate (0.25% change)	(4,136)	4,314
Future salary increase (0.25% change)	4,170	(4,031)

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

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

(ii) Defined contribution plans

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

(Continued)

The amount of the Company's pension expenses under defined contribution pension plan in 2019 and 2018 were as follows:

		2019	2018
Operating costs	$	158	153
Operating expenses		35,389	32,174
	$	**35,547**	**32,327**

(p) Income Taxes

On February 7, 2018, the President announced the amendments to the Income Tax Law, raising the income tax rae for profit-making enterprises from 17% to 20% starting from the year of 2018.

Income tax expenses for the years ended 2019 and 2018 were summarized as follows:

		2019	2018
Current income tax expense (benefit)	$	(27,291)	3,911
Deferred tax expense		22,063	6,967
Income tax expenses (benefit)	$	**(5,228)**	**10,878**

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

		2019	2018
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	$	**(4,016)**	**16,892**

Reconciliation of income tax expense and profit before tax was as follows:

		2019	2018
Profit (loss) before income tax	$	**(513,555)**	**117,252**
Income tax using the Company's domestic tax rate	$	(102,711)	23,450
Effect of tax rate changes		-	(18,060)
Share of profit of associates accounted for using equity method		202,049	-
Investment income from domestic company		(14,583)	(14,498)
Unrecognized changes of temporary differences		(86,439)	(18,370)
Income tax adjustments on prior years and others		(3,544)	38,356
	$	**(5,228)**	**10,878**

(Continued)

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

		December 31, 2019	December 31, 2018
Deductible temporary differences			
Unrealized expenses	$	16,589	11,123
Provisions for warranty		13,157	13,357
Unrealized impairment		24,318	24,318
Others		36,402	27,013
		90,466	75,811
Operating loss carry forward		249,059	350,153
	$	**339,525**	**425,964**

(ii) Recognized deferred tax assets and liabilities

		Intra-group transactions	Foreign currency translation reserve	Loss carry forward	Others	Total
Deferred income tax assets:						
Balance at January 1, 2019	$	93,416	205,676	-	5,044	304,136
Recognized in profit or loss		(16,261)	-	143,177	370	127,286
Foreign currency translation reserve		-	4,016	-	-	4,016
Balance at December 31, 2019	**$**	**77,155**	**209,692**	**143,177**	**5,414**	**435,438**
Balance at January 1, 2018	$	106,378	222,568	-	3,817	332,763
Recognized in profit or loss		(12,962)	-	-	1,227	(11,735)
Foreign currency translation reserve		-	(16,892)	-	-	(16,892)
Balance at December 31, 2018	**$**	**93,416**	**205,676**	**-**	**5,044**	**304,136**

		Investments under equity method	Others	Total
Deferred income tax liabilities:				
Balance at January 1, 2019	$	-	3,085	3,085
Recognized in profit or loss		143,177	6,172	149,349
Balance at December 31, 2019	**$**	**143,177**	**9,257**	**152,434**
Balance at January 1, 2018	$	4,618	3,235	7,853
Recognized in profit or loss		(4,618)	(150)	(4,768)
Balance at December 31, 2018	**$**	**-**	**3,085**	**3,085**

(Continued)

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, 2019, 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	$ 1,750,767	2027
2019	210,411	2029
	$ 1,961,178	

The Company's income tax return had been examined by the tax authorities through 2017.

(q) Share capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, 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, 2019 and 2018, the issued capital amounted to $6,519,961 thousand. The par value of the Company's common stock is $10 New Taiwan dollars per share. The number of share is 651,996 thousand shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Common stock in excess of par value	$ 1,217,030	1,282,230
Treasury stock	39,310	39,310
Changes in equities of associates accounted for using equity method	76,234	82,132
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	55,320	55,320
Total	$ 1,598,807	1,669,905

According to the ROC Company Act, the capital surplus may be used to offset a deficit, or distribute as cash devidends or stock devidends 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.

(Continued)

(iii) Retained earnings

1) Legal reserve

In 2018, according to the ROC Company Act, 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.

In June 21, 2019, the Company decide to distributed dividend to shareholders with the amount $65,200 thousand of legal revserve.

2) Special reserve

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

3) Earning distribution

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

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

The Company is loss in 2017. There were no distributable earnings. The Company's shareholders meeting resolved appropriation of profit or loss on June 22, 2018.

(Continued)

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) Treasury stock

Under Article 28-2 of the Securities and Exchange Act, the Company' s board of directors passed a resolution to buy back its shares from the open market and to transfer the shares to its employees. The relevant information as below:

Board of directors resolution date	Buy back shares (in thousand)	Amount	Capital reduction baseline date	Treasury stock retired shares (in thousand)	Transfer date	Treasury stock transfer to employees
October 30, 2012	10,000	$ 173,037	March 24, 2016	173,037	-	10,000
January 14, 2013	15,000	277,433	March 24, 2016	277,433	-	15,000
August 13, 2015	19,192	186,425	-	186,425	September 21, 2016	-
August 13, 2015	19,192	186,425	-	186,425	September 19, 2017	-
August 13, 2015	19,192	186,425	-	186,425	September 17, 2018	-

The board of directors meeting on August 8, 2016 resolved to transfer 1,844 thousand, 8,127 thousand and 9,221 thousand of the treasury stocks, bought in 2015, to its employees, with a subscription price NT$9.72 per share, amounting to $17,924 thousand, $78,994 thousand and $89,628 thousand, respectively. And in 2018, the Company recognized the compensation cost amounting to $7,247 thousand, $9,996 thousand and $21,946 thousand, and wrote off treasury stocks $17,912 thousand, $78,943 thousand and $89,570 thousand, and recognized Capital Surplus – treasury shares transaction amounting to $7,259 thousand, $10,047 thousand and $22,004 thousand, respectively.

	2019		2018	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Beginning balance	-	$ -	1,844	17,912
Decreased	-	-	(1,844)	(17,912)
Ending balance (Beginning balance)	-	$ -	-	-

Based on the Securities and Exchange Act, the number of repurchased shares should not exceed 10% of the Company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and paid-in capital.

Shares of treasury stocks that bought back shall be transferred to employees in 3 years since the repurchase date or they shall be otherwise retired as if the Company has never issued. The Company excluded special reserve and appropriated earnings agreed by the board of directors before the approval of repurchase treasury stock to calculate the ceiling of the repurchase based on the September 30, 2019 Independent Auditors' Report. The ceiling on total number of shares of the repurchase is 65,199 thousand shares and the ceiling on total monetary amount of the repurchase is $2,961,614 thousand.

In addition, the Company should not pledge its treasury shares nor exercise voting rights before transferring to employees.

(v) Other equity

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2019	$ (1,151,611)	(147,771)	(15,138)
The Company	(62,610)	(13,544)	-
Associates	(22,480)	8,123	11,654
Subsidiaries-disposal	-	(11,910)	-
Balance at December 31, 2019	**$ (1,236,701)**	**(165,102)**	**(3,484)**

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedge	Others
Balance at January 1, 2018	$ (1,102,381)	-	152,864	1,109	(44,400)
Effects of retrospective application:	-	(73,190)	(152,864)	-	-
Balance at January 1, 2018 after adjustments	(1,102,381)	(73,190)	-	1,109	(44,400)
The Company	(35,714)	9,460	-	-	-
Associates	(13,516)	(76,194)	-	(1,109)	29,262
Subsidiaries-disposal	-	(7,847)	-	-	-
Balance at December 31, 2018	**$ (1,151,611)**	**(147,771)**	**-**	**-**	**(15,138)**

 (Continued)

(r) Earnings per share

The calculation of basic earnings per share of the Company were as follows:

(i) Basic earnings per share

		2019	2018
Profit (loss) attributable to owners of the parent	$	(508,327)	106,374
Ordinary shares outstanding at 1 January	$	651,996	650,152
Weighted-average number of shares of treasury stock		-	528
Weighted-average number of ordinary shares outstanding at 31 December		**651,996**	**650,680**
Basic earnings (loss) per share	**$**	**(0.78)**	**0.16**

(ii) Diluted earnings per share

		2019	2018
Profit (loss) attributable to owners of the parent	$	(508,327)	106,374
Weighted-average number of ordinary shares outstanding	$	651,996	650,680
Employeess' bonuses have not yet been resolved by the shareholders' meeting		44	99
Weighted average number of ordinary shares (diluted) at December 31		**652,040**	**650,779**
Diluted earnings (loss) per share	**$**	**(0.78)**	**0.16**

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

(s) Revenue from contracts with customers

(i) The Company revenue from contract revenue

Major product / service lines		**2019**	**2018**
Network communication products	$	1,135,398	1,002,927
Services		566,149	723,780
	$	**1,701,547**	**1,726,707**

Primary geographical markets		**2019**	**2018**
Asia	$	1,604,080	1,726,289
Others		97,467	418
	$	**1,701,547**	**1,726,707**

(Continued)

(ii) Contract liabilities

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

		December 31, 2019	December 31, 2018
Contract Liabilities ─ current (sales)	$	**7,832**	**38,432**

2) The Company recognized $36,298 thousand and $9,984 thousand, respectively, in sales from the beginning balance of contract liabilities for the year ended December 31, 2019 and 2018.

(t) Remuneration to employees and directors

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

The Company had an annual loss in the year ended December 31, 2019, and thus, the Company was not required to accrue any remuneration to its employees and directors.

For the year ended 2018, the remunerations to employees and directors amounted to $1,196 thousand and $1,196 thousand, respectively, and have been paid in cash, based on the resolution made during the Board of Directors' meeting on March 18, 2019, and have been proposed in the shareholder's meeting in 2019. The information is available on the Market Observation Post System website.

(u) Other income

(i) Other income

		2019	2018
Interest income	$	279	303
Rental income		1,694	1,952
Other Income			
Others		14,744	2,372
Total	$	**16,717**	**4,627**

(Continued)

(ii) Other gains and losses

		2019	2018
Loss on disposal of property, plant and equipment	$	191	(5,046)
Gain (loss) on disposals of investments		29,558	(16,163)
Foreign currency exchange gains		31,985	936
Gain on reversal of impairment		-	8,000
Valuation gains (losses) from financial assets and liabilities		(77,932)	58,545
Others		2,959	3,248
	$	**(13,239)**	**49,520**

(iii) Financial costs

		2019	2018
Interest expense	$	(5,805)	(7,394)
Other financial costs		-	-
Interest expense of bond discounts		(6,062)	(6,534)
Lease liability interests		(25)	-
		(6,087)	(6,534)
Net financial costs	**$**	**(11,892)**	**(13,928)**

(v) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2019 and 2018 were summarized as follow:

		2019	2018
Exchange differences on translation of foreign operations			
Change in foreign currency exchange from the Company	$	(66,626)	(18,822)
Change in exchange differences on translation of foreign operation recognized in other comprehensive income	**$**	**(66,626)**	**(18,822)**
Share of other comprehensive income accounted for using equity method			
Change in foreign currency exchange from subsidiary and associates	$	(23,687)	(13,533)
Change other comprehensive income on effective portion of cash flow hedge		-	(1,109)
Reclassification adjustments		1,492	7,059
Change in other comprehensive income from associates		11,369	22,220
Share of other comprehensive income from associates	**$**	**(10,826)**	**14,637**

(Continued)

(w) Financial instruments

(i) Category of financial instruments

1) Financial Assets

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 493,602	71,776
Financial assets at fair value through profit or loss － current	1,494	6,189
Financial assets at fair value through other comprehensive income －non-current	166,183	179,728
Notes receivable, accounts receivable and other accounts receivable (including related parties)	345,084	1,264,895
Refundable deposits	4,811	50,342
	$ 1,011,174	**1,572,930**

2) Financial liabilities

	December 31, 2019	December 31, 2018
Short-term loans	$ 1,438,269	1,230,300
Financial liabilities at fair value through profit or loss －current	73,148	19,374
Notes payable, accounts payable and other payables (including related parties)	638,807	1,502,116
Bonds payable	301,003	386,019
Guarantee deposits received	3,074	3,074
Lease liability (current and non-current)	19,376	-
	$ 2,473,677	**3,140,883**

(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, 2019 and 2018, the maximum amount exposed to credit risk amounted to $1,011,174 thousand, and $1,572,930 thousand, respectively.

(iii) Liquidity risk

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

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2019							
Non-derivative financial liabilities							
Short-term loans	$ 1,438,269	1,444,137	5,166	1,438,971	-	-	-
Notes payable	256	256	256	-	-	-	-
Accounts payable	186,993	186,993	186,993	-	-	-	-
Accounts payable to related parties	75,169	75,169	75,169	-	-	-	-
Other payables	376,389	376,389	376,389	-	-	-	-
Bonds payable	301,003	301,003	301,003	-	-	-	-
Lease liability	19,376	20,181	2,078	2,223	4,000	11,880	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Exchangeable corporate bonds embedded derivative	65,380	65,380	65,380	-	-	-	-
Cross currency swaps	7,662	7,662	7,662	-	-	-	-
Forward foreign exchange contracts	106	106	106	-	-	-	-
	$ 2,473,677	**2,480,350**	**1,023,276**	**1,441,194**	**4,000**	**11,880**	**-**
December 31, 2018							
Non-derivative financial liabilities							
Short-term loans	$ 1,230,300	1,232,284	1,232,284	-	-	-	-
Notes payable	15	15	15	-	-	-	-
Accounts payable	95,877	95,877	95,877	-	-	-	-
Accounts payable to related parties	85,074	85,074	85,074	-	-	-	-
Other payables	1,321,150	1,321,150	1,321,150	-	-	-	-
Bonds payable	386,019	386,019	386,019	-	-	-	-
Guarantee deposits received	3,074	3,074	3,074	-	-	-	-
Derivative financial liabilities							
Exchangeable corporate bonds embedded derivative	19,316	19,316	19,316	-	-	-	-
Cross currency swaps	58	58	58	-	-	-	-
	$ 3,140,883	**3,142,867**	**3,142,867**	**-**	**-**	**-**	**-**

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

(Continued)

(iv) Currency risk

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

	2019			2018		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets :						
Monetary items:						
USD	$ 11,314	30.11	340,616	35,508	30.73	1,091,167
Derivative financial instruments:						
JPY	$ 5,394	0.28	1,494	22,104	0.28	6,189
Investment accounted for using equity method:						
USD	$ 213,316	30.11	6,422,105	228,317	30.73	7,016,860
CAD	15,756	23.18	365,241	15,312	22.53	345,053
BRL	2,487	7.47	18,576	6,331	7.93	50,216
AUD	6,454	21.11	136,256	6,704	21.66	145,189
MXN	4,514	1.60	7,200	5,151	1.56	8,054
CLP	-	-	-	140,739	0.04	6,226
JPY	2,391,083	0.28	662,330	2,216,981	0.28	621,419
			$ 7,611,708			8,193,017
Financial liabilities:						
Monetary items:						
USD	$ 25,367	30.11	763,699	40,520	30.73	1,186,980
JPY	1,802,431	0.28	499,273	1,000,236	0.28	280,366
			$ 1,262,972			1,467,346
Derivative financial instruments:						
USD	$ 72	30.11	2,164	2	30.73	58
EUR	166	33.75	5,604	-	-	-
			$ 7,768			58
Debit balance of equity investment:						
USD	$ 22,486	30.11	674,253	22,567	30.73	693,544
CLP	135,574	0.04	4,110	-	-	-
			$ 678,363			693,544

Because the Company has various functional currencies, information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities is aggregaely disclosed. The total foreign exchange gains, including realized and unrealized, were $31,985 thousand and $936 thousand for the years ended December 31, 2019 and 2018, respectively.

(Continued)

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, 2019 and 2018 would have decreased or increased the net loss after tax by $72,057 thousand and $85,553 thousand, respectively, assuming all other variables were held constant.

(v) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets 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.

If the interest rate had increased / decreased by 0.5% basis points, the Company's net income (loss) would have increased / decreased by $0 thousand and $49 thousand for 2019 and 2018, respectively, with all other variable factors remaining constant.

(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:

	December 31, 2019			
Assets and liabilities	**Total**	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on recurring basis				
Non-derivative assets and liabilities				
Assets:				
Financial assets at fair value through other comprehensive income	$ 166,183	166,183	-	-
Derivative assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss — current	1,494	-	1,494	-
Liabilities:				
Financial liabilities at fair value through profit or loss — current	73,148	-	73,148	-

(Continued)

Assets and liabilities		December 31, 2018 Total	Level 1	Level 2	Level 3
Measured at fair value on recurring basis					
Non-derivative assets and liabilities					
Assets:					
Financial assets at fair value through other comprehensive income	$	179,728	179,728	-	-
Derivative assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss－current		6,189	-	6,189	-
Liabilities:					
Financial liabilities at fair value through profit or loss － current		19,374	-	19,374	-

2) Valuation techniques

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

3) Transfer from Level 1 to Level 2

As of December 31, 2019 and 2018, 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, 2019		December 31, 2018	
	Book value	**Fair value**	**Book value**	**Fair value**
Non-financial assets:				
Investment property	$ 39,669	46,993	40,065	51,555

Assets and liabilities	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	$ 46,993	-	-	46,993

(Continued)

	December 31, 2018				
Assets and liabilities		**Total**	**Level 1**	**Level 2**	**Level 3**
Non-financial assets:					
Investment property	$	51,555	-	-	51,555

2) Valuation techniques

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

a) The carrying amount of cash and cash equivalents and other financial instruments that approximate their fair value due to their short maturities.

b) The fair value of investment property that is based on the comparable deal information with similar location.

(x) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Company. For detailed information, please refer to the related notes of each risk in interim 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 Company use internal control systems, risk management procedures, and regulations of risk management as the basis of various business risk management standards. the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company' s activities. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(iii) Credit risk

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

1) Accounts receivable

The credit risk exposure of the Company arises from the operations and financial conditions of each customer and the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Company operates worldwide, and thus, risk is diversified. As of December 31, 2019 and 2018, revenue from each foreign customer does not exceed 5% of the Company's revenue and therefore, there is no concentration of credit risk.

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

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

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

2) Investment on securities and derivative financial instruments

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

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2019 and 2018, the Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. the Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. the Company aims to maintain the level of its cash and short term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. the Company has unused short term bank facilities for $4,655,866 thousand as of December 31, 2019.

(v) Market risk

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

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

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.

(Continued)

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.

Debt-to-equity ratio:

	December 31, 2019	December 31, 2018
Total liabilities	$ 3,583,636	4,173,914
Less: cash and cash equivalents	(493,602)	(71,776)
Net debt	**$ 3,090,034**	**4,102,138**
Total equity	**$ 8,473,414**	**9,199,487**
Debt-to-equity ratio	**36.47%**	**44.59%**

As of December 31, 2019, the methods of the Company's capital management remained unchanged.

 (Continued)

(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, 2019 and 2018 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, 2019	Cash flows	Exchange	Fair value changes	Others	December 31, 2019
Short-term loan	$ 1,230,300	207,969	-	-	-	1,438,269
Lease liabilities	-	(606)	-	-	19,982	19,376
Bonds payable	386,019	-	(91,078)	6,062	-	301,003
Guarantee desposits received	3,074	-	-	-	-	3,074
Total liabilities from financing activities	$ 1,619,393	207,363	(91,078)	6,062	19,982	1,761,722

			Non-cash changes			
	January 1, 2018	Cash flows	Exchange	Foreign exchange movement	Fair value changes	December 31, 2018
Short-term loan	$ 1,461,920	(231,620)	-	-	-	1,230,300
Bonds payable	398,426	-	(18,941)	6,534	-	386,019
Guarantee desposits received	918	2,156	-	-	-	3,074
Total liabilities from financing activities	$ 1,861,264	(229,464)	(18,941)	6,534	-	1,619,393

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related partgy	Relationship with the Company
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

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

Name of related partgy	Relationship with the Company
D-Link Brazil LTDA (D-Link Brazil)	A subsidiary
D-Link Latin America Company Ltd.(D-Link L.A.)	A subsidiary
D-Link Mexicana S.A de C.V (D-Link Mexicana)	A subsidiary
D-Link Systems, Inc. (D-Link Systems)	A subsidiary
D-Link International Pte. Ltd. (D-Link International)	A subsidiary
D-Link Australia Pty Ltd. (D-Link Australia)	A subsidiary
D-Link Middle East FZCO (D-Link ME)	A subsidiary
D-Link Korea Limited (D-Link Korea)	A subsidiary
D-Link Trade M (D-Link Moldova)	A subsidiary
D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	A subsidiary
D-Link Malaysia SDN. BHD (D-Link Malaysia)	A subsidiary
D-Link Service Lithuania, UAB (D-Link Lithuania)	A subsidiary
Yeochia Investment Co., Ltd.	A subsidiary
Yeomao Investment Co., Ltd.	A subsidiary
Yeotai Investment Co., Ltd.	A subsidiary
D-Link (Europe) Ltd. (D-Link Europe)	A subsidiary
D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	A subsidiary
D-Link Holding Mauritius Inc. (D-Link Mauritius)	A subsidiary
OOO D-Link Russia (D-Link Russia)	A subsidiary
D-Link Hong Kong Ltd. (D-Link Hong Kong)	A subsidiary (had dismissed at November 22, 2019)
OOO D-Link Trade (D-Link Trade)	A subsidiary
Success Stone Overseas Corp. (Success Stone)	A subsidiary
Wishfi Pte. Ltd. (Wishfi)	A subsidiary
D-Link India Ltd. (D-Link India)	A subsidiary
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

(Continued)

Name of related partgy	Relationship with the Company
D-Link Polska Sp. Z.o.o. (D-Link Polska)	A subsidiary
D-Link (Magyarorszag) kft (D-Link Magyarorszag)	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
Cameo Communication, Inc.	The Company is the director of Cameo

(b) Significant related party transactions

(i) Sales revenue

	2019	2018
Subsidiaries	$ 140,071	6,972
Associates	30	250
	$ **140,101**	**7,222**

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

	2019	2018
Subsidiaries:		
D-Link International	$ 525,274	685,890
Others	4,746	3,840
Associates	433	433
	$ **530,453**	**690,163**

(Continued)

(iii) Purchases

		2019	2018
Subsidiaries:	$	34,876	5,716
Associate:			
Alpha		199,109	287,973
Other related-parties:			
Cameo		31,100	27,724
	$	**265,085**	**321,413**

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

Account	Related party categories		December 31, 2019	December 31, 2018
Accounts receivable	Subsidiaries－D-Link International	$	31,673	47,399
Accounts receivables	Subsidiaries－Others		19,938	4,816
Accounts receivable	Associates－Others		217	217
Other receivables	Subsidiaries－D-Link Trade		-	925,602
Other receivable	Subsidiaries－Others		3,727	2,133
		$	**55,555**	**980,167**

(v) Other gains and losses

Account	Related party categories		2019	2018
Other gains and losses	Associates－Alpha	$	800	2,486
Other gains and losses	Subsidiaries		69	69
Other gains and losses	Other related parties		-	80
		$	**869**	**2,635**

(vi) Accounts payable to related parties

Account	Related party categories		December 31, 2019	December 31, 2018
Accounts payable	Subsidiaries	$	295	1,134
Accounts payable	Associates－Alpha		64,673	77,963
Accounts payable	Other related-parties		10,201	5,977
Other payables	Subsidiaries－D-Link International		607	980,861
Other payables	Subsidiaries－Others		2,067	17,265
Other payables	Associates－Alpha		9,478	16,448
Other payables	Other related-parties		19,681	8,632
		$	**107,002**	**1,108,280**

(Continued)

D-LINK CORPORATION
Notes to the Financial Statements

(vii) Services purchased from related parties

The services purchased from related-parties were as follows:

	2019	2018
Alpha	15,080	24,960
Other related-parties－Cameo	27,628	12,222
	$ **42,708**	**37,182**

(viii) Property transaction

1) Property, plant and equipment acquired

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

	2019	2018
Associate－Alpha	$ 6,261	5,432
Other related-parties－Cameo	3,330	9,572
	$ **9,591**	**15,004**

2) The Company sold its patents which are in the process of application to MiiiCasa Holding for $20,735 thousand (USD$700 thousand) in March 2012. The unrealized profits due to the abovementioned transactions amounting to $0 thousand was recognized under other non-current liabilities; and the realized profits of $20,735 thousand was recognized under other gains and losses.

The details of the abovementioned transactions were summarized as follows:

Account	Related party categories	2019	2018
Other non-current liabilities	Associates	$ **-**	**2,160**

Account	Related party categories	2019	2018
Gains and Losses	Associates	$ **2,160**	**683**

(ix) Equity Transfer

On equity transfer with its related-parties, the Company recognized the deferred unrealized profit each amounting to $68,012 thousand as of December 31, 2019 and 2018. 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, 2019 and 2018.

(Continued)

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, 2019 and 2018.

3) The company sold parts of equity of Alpha to Yeochia, Yeomao and Yeotai for $623,125 thousand in February 2004, resulting in the Company to recognize the additional amounts of $31,766 thousand and $37,153 thousand of deferred unrealized profit in investments accounted for using equity method as of December 31, 2019 and 2018, respectively.

(x) Borrowing from Related Parties

The borrowing from related parties were as follows:

	2019	2018
Subsidiaries－D-Link Japan	$ 498,600	280,300
Subsidiaries－D-Link Europe	337,549	-
Subsidiaries－D-Link International	602,120	-
	$ 1,438,269	$ 280,300

The interest paid to the related parties amounted to $3,278 thousand and $1,119 thousand for the year 2019 and 2018, 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 $465,920 thousand and $737,520 thousand for the year 2018, and had been fully paid by the end of the year.

(xi) Guarantee

As of December 31, 2019 and 2018, the Company had provided a guarantee to its related-parties which borrowed from financial institutions with the credit limit as follow:

	2019	2018
Subsidiaries:		
D-Link Europe	$ 125,771	131,275
D-Link Shai-Hai	75,265	76,833
D-Link ME	-	30,733
D-Link Trade	15,053	15,367
	$ 216,089	254,208

For the years ended December 31, 2019 and 2018, the Company used its endorsement guarantees amounting to $31,078 thousand and $41,550 thousand respectively.

(Continued)

(c) Key management personnel compensation

Key management personnel compensation comprised:

		2019	2018
Short-term employee benefits	$	36,768	62,640
Post-employee benefits		1,744	1,569
Share-based payments		-	939
	$	**38,512**	**65,148**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure		December 31, 2019	December 31, 2018
Other non-current assets	Reformance guarantee (restricted assets)	$	**222**	**222**

(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 India, had disputes regarding prior year's declaration of tariff settlement with the local tax authorities. The Company has assessed and accrued the amount that may be paid.

(c) The Company’s subsidiary, D-Link Brazil, had disputes regarding prior year's declaration tax on industrialized products with the local tax authorities, and had filed administrative litigation and administrative remedy. D-Link Brazil had accrued possible tax, interest and penalty.

(d) American Patents, LLC filed a lawsuit against the Company in October 2019, alleging that some of the Company’ 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) BE Labs, Inc. filed a lawsuit against the Company’s subsidiary, D-Link Systems, in October 2019, 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.

(Continued)

(f) Shenzhen Dunjun Technology Co., Ltd. filed a lawsuit against the Company's subsidiary, D-Link Shiang-Hai, in October 2019, alleging that some of the D-Link Shiang-Hai's products infringed its patents. D-Link Shiang-Hai has retained its attorneys in China 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.

(g) International License Exchange of America, LLC filed a lawsuit against the Company's subsidiary, D-Link Systems, in November 2019, 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.

(h) Castlemorton Wireless LLC filed a lawsuit against the Company in January 2020, alleging that some of the Company' 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.

(i) Parity Networks LLC filed a lawsuit against the Company in February 2020, alleging that some of the Company' 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.

(j) STC.UNM filed a lawsuit against the Company in February 2020, alleging that some of the Company' 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.

(k) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the liabilities are unclear. The Company has accrued the possible expense, and significant losses are unlikely.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

Since early 2020, the coronavirus outbreak caused uncertainties in the operating environment of the Company's suppliers in China, including the suppliers' production and delivery delays, and affected the Company's operation. However, the relevent information is still unclear to have a reasonable estimation for operation and financial situation. the Company will constantly monitor the development of the event and assess in time.

(Continued)

(12) Other:

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

By funtion / By item	For the year ended December 31					
	2019			2018		
	Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits						
Salaries	3,524	751,646	755,170	3,560	695,351	698,911
Labor and health insurance	323	62,477	62,800	309	55,287	55,596
Pension	178	36,669	36,847	174	33,503	33,677
Remuneration of directors	-	3,660	3,660	-	4,130	4,130
Others	164	22,909	23,073	161	21,006	21,167
Depreciation	4	63,908	63,912	5	71,795	71,800
Amortization	6	51,127	51,133	14	39,296	39,310

(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, 2019:

(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 Item	Collateral Value	Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
1	D-Link International	D-Link Corporation	Other accounts receivable - related parties	Yes	722,544	602,120	602,120	-	2	-	Operating capital	-	-	-	2,301,493	2,301,493
1	D-Link International	D-Link Shiang-Hai	Other accounts receivable - related parties	Yes	43,155	43,155	28,914	4.00	2	-	Operating capital	-	-	-	2,301,493	2,301,493
1	D-Link International	D-Link Brazil	Other accounts receivable - related parties	Yes	60,212	60,212	-	-	2	-	Operating capital	-	-	-	2,301,493	2,301,493
2	D-Link Russia Investment	D-Link International	Other accounts receivable - related parties	Yes	740,608	740,608	737,597	-	2	-	Operating capital	-	-	-	752,553	752,553
3	D-Link Japan K.K	D-Link Corporation	Other accounts receivable - related parties	Yes	498,600	498,600	498,600	0.50	2	-	Operating capital	-	-	-	662,330	662,330
4	D-Link Europe	D-Link Corporation	Other accounts receivable - related parties	Yes	337,549	337,549	337,549	1.00	2	-	Operating capital	-	-	-	1,265,617	1,265,617
5	YEOTAI	YEOMAO	Other accounts receivable - related parties	Yes	20,000	20,000	20,000	0.95	2	-	Operating capital	-	-	-	26,287	26,287

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 parent Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Europe.

Note 6: Total amount of loans from YEOTAI to the parent Company and the ultimate parent company's 90% directly or indirectly owned overseas subsidiaries shall not exceed 40% of the net worth of YEOTAI.

Note 7: Only disclose funding loan limits that are still valid until end the year of 2019.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	2,173,320	125,771	125,771	31,078	-	1.48 %	6,519,961	Y		
0	D-Link Corporation	D-Link Shiang-Hai	2	2,173,320	75,265	75,265	-	-	0.89 %	6,519,961	Y		Y
0	D-Link Corporation	D-Link Trade	2	2,173,320	15,053	15,053	-	-	0.18 %	6,519,961	Y		
0	D-Link Corporation	D-Link Middle East	2	2,173,320	30,106	-	-	-	- %	6,519,961	Y		

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

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

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

1. Having business relationship.
2. The entity directly or indirectly owned more than 50% by the Company.
3. The entity directly or indirectly own more than 50% of the Company.
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, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
D-Link Corporation	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	21,498,506	166,183	8.01 %	166,183	
D-Link Corporation	Ehoo Net Technology Holding Ltd.	None	Non current financial assets at fair value through profit or loss	749,663	-	4.11 %	-	
D-Link Corporation	Ewave System	None	Non current financial assets at fair value through profit or loss	83,334	-	1.89 %	-	
D-Link Corporation	TGC Inc.	None	Non current financial assets at fair value through profit or loss	500,000	-	1.84 %	-	
D-Link Corporation	YICHIA Information Corporation	None	Non current financial assets at fair value through profit or loss	73,500	-	6.68 %	-	
D-Link Corporation	Global Mobile Corp.	None	Non current financial assets at fair value through profit or loss	6,600,000	-	2.39 %	-	
D-Link Corporation	Ubicom	None	Non current financial assets at fair value through profit or loss	926,814	-	3.05 %	-	
D-Link Corporation	PurpleComm	None	Non current financial assets at fair value through profit or loss	3,385,417	-	14.10 %	-	
D-Link Holding	Best 3C	None	Non current financial assets at fair value through profit or loss	600,000	-	1.88 %	-	
D-Link Holding	E2O	None	Non current financial assets at fair value through profit or loss	252,525	-	0.05 %	-	
YEOCHIA	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	10,757,873	83,158	4.01 %	83,158	
YEOCHIA	Z-Com	None	Non current financial assets at fair value through other comprehensive incom	3,064,041	39,833	4.23 %	39,833	
YEOCHIA	Venture Power	None	Non current financial assets at fair value through other comprehensive incom	10,922	315	2.97 %	315	
YEOCHIA	QuieTek Corporation, Inc. (QuieTek)	None	Non current financial assets at fair value through profit or loss	6,257,896	-	12.63 %	-	
YEOMAO	CAMEO	The Company is the director of CAMEO	Non current financial assets at fair value through other comprehensive income	9,710,192	75,060	3.62 %	75,060	
YEOMAO	Kaimei	None	Non current financial assets at fair value through other comprehensive income	824,645	37,274	0.42 %	37,274	
YEOMAO	ITEX	None	Non current financial assets at fair value through profit or loss	60,000	-	0.26 %	-	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
YEOMAO	QuieTek	None	Non current financial assets at fair value through profit or loss	286,016	-	0.58 %	-	
YEOTAI	CAMEO	None	Non current financial assets at fair value through other comprehensive income	4,576,574	35,377	1.71 %	35,377	
YEOTAI	Z-Com	None	Non current financial assets at fair value through other comprehensive incom	50,000	650	0.07 %	650	
YEOTAI	QuieTek	None	Non current financial assets at fair value through profit or loss	3,143,224	-	6.34 %	-	
D-Link India	Aditya Birla Mutual Fund	None	Current financial assets at fair value through profit or loss	79,559	10,572	- %	10,572	
D-Link India	Tata Mutual Fund	None	Current financial assets at fair value through profit or loss	9,788	12,668	- %	12,668	
D-Link India	Uti Mutual Fund	None	Current financial assets at fair value through profit or loss	6,260	8,466	- %	8,466	
D-Link India	Axis Mutual Fund	None	Current financial assets at fair value through profit or loss	20,843	19,013	- %	19,013	
D-Link India	L&T Liquid Fund	None	Current financial assets at fair value through profit or loss	14,994	16,899	- %	16,899	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details: Purchase/Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
D-Link Corporation	D-Link International	Subsidiary	(Sale and service revenue)	(547,400)	(32) %	60 days	No significant differences between related party and third party	No significant differences	31,673	11%	
D-Link Corporation	ALPHA	Investments accounted for using equity method	Purchase	199,109	24 %	90 days	No significant differences between related party and third party	No significant differences	(64,674)	(25)%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	547,400	70 %	60 days	No significant differences between related party and third party	No significant differences	(31,673)	(2)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sale)	(394,725)	(4) %	75 days	No significant differences between related party and third party	No significant differences	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sale)	(450,726)	(5) %	60 days	No significant differences between related party and third party	No significant differences	27,506	1%	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sale)	(2,280,466)	(25) %	60 days	No significant differences between related party and third party	No significant differences	320,859	14%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sale)	(1,534,146)	(17) %	60 days	No significant differences between related party and third party	No significant differences	159,424	7%	

(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 International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sale)	(254,295)	(3) %	60 days	No significant differences between related party and third party	No significant differences	45,430	2%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sale)	(163,355)	(2) %	75 days	No significant differences between related party and third party	No significant differences	14,005	1%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sale)	(406,829)	(4) %	60 days	No significant differences between related party and third party	No significant differences	111,416	5%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sale)	(864,548)	(9) %	45 days	No significant differences between related party and third party	No significant differences	181,745	8%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sale)	(1,135,783)	(12) %	180 days	No significant differences between related party and third party	No significant differences	761,638	34%	
D-Link International	ALPHA	Investments accounted for using equity method by D-Link Corporation	Purchase	2,028,397	26 %	90 days	No significant differences between related party and third party	No significant differences	(473,490)	(23)%	
D-Link International	CAMEO	D-Link Corporation is the director of CAMEO	Purchase	1,581,972	20 %	90 days	No significant differences between related party and third party	No significant differences	(378,403)	(19)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	394,725	100 %	75 days	No significant differences between related party and third party	No significant differences	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	450,726	99 %	60 days	No significant differences between related party and third party	No significant differences	(27,506)	(80)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	2,280,466	98 %	60 days	No significant differences between related party and third party	No significant differences	(320,859)	(71)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,534,146	69 %	60 days	No significant differences between related party and third party	No significant differences	(159,424)	(52)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	254,295	98 %	60 days	No significant differences between related party and third party	No significant differences	(45,430)	(100)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	163,355	92 %	75 days	No significant differences between related party and third party	No significant differences	(14,005)	(14)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	406,829	66 %	60 days	No significant differences between related party and third party	No significant differences	(111,416)	(100)%	

(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 India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	864,548	29 %	45 days	No significant differences between related party and third party	No significant differences	(181,745)	(41)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,135,783	98 %	180 days	No significant differences between related party and third party	No significant differences	(761,638)	(99)%	

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

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

(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	320,859	8.86	9,654	-	86,018	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	632,533	-	632,533	-	-	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	159,424	6.76	-	-	-	-
D-Link International	D-Link Shiang-Hai	The ultimate parent company is D-Link Corporation	529,649	0.04	514,837	-	-	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	111,416	3.18	-	-	29,310	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	181,745	4.81	-	-	59,471	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	761,638	2.98	-	-	-	-

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

Note 2: The amount represents collections subsequent to December 31, 2019 up to January 20, 2020.

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	Forward foreign exchange contract	JPY(Sell)	JPY 220,000	237	237
D-Link International	Forward foreign exchange contract	EUR(Sell)	EUR 6,540	(1,890)	(1,890)
D-Link International	Forward foreign exchange contract	AUD(Sell)	AUD 2,500	(1,553)	(1,553)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW 2,322,550	(328)	(328)
D-Link International	Forward foreign exchange contract	CAD(Sell)	CAD 2,200	(545)	(545)
D-Link International	Forward foreign exchange contract	CNH(Sell)	CNH 14,193	(1,086)	(1,086)
D-Link International	Forward foreign exchange contract	JPY(Sell)	JPY 110,000	(167)	(167)
D-Link Corporation	Forward foreign exchange contract	EUR(Sell)	EUR 460	(106)	(106)
D-Link India	Forward foreign exchange contract	USD(Buy)	USD 2,500	220	220
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL 12,001	(2,473)	(2,473)
D-Link International	Cross currency swap	RUB	RUB 192,014	980	980
D-Link International	Cross currency swap	CNH	CNH 95,880	(4,155)	(4,155)
D-Link International	Cross currency swap	EUR	EUR 2,000	(447)	(447)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount	Book Value	Fair Value
D-Link International	Cross currency swap	GBP	GBP 1,100	(538)	(538)
D-Link Corporation	Cross currency swap	JPY	JPY 1,800,000	1,494	1,494
D-Link Corporation	Cross currency swap	USD	USD 22,900	(2,164)	(2,164)
D-Link Corporation	Cross currency swap	EUR	EUR 10,000	(5,498)	(5,498)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of wnership	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 %	1,482,080	(5,657)	(5,657)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	283,866	283,866	8,736,000	100.00 %	365,241	10,341	10,341	
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 %	1,875,560	(269,837)	(230,951) note 1	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 %	810,694	32,768	32,768	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	1,139,093	2,964,836,727	100.00 %	18,576	(30,179)	(30,179)	100% shares owned by D-Link Corporation and D-Link Holding
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 %	136,256	(5,360)	(5,360)	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 %	1,715,005	9,908	16,791	
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	691,818	49,410	49,410	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(144,373)	19,374	19,374	
D-Link Corporation	D-Link Deutsch land	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	6,192	- note 3	100% shared owned by D-Link Corporation directly and indirectly
D-Link Corporation	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment end its components	993,420	1,039,768	104,480,022	19.26 %	1,875,878	238,903	60,246 note 1	20.43% shared owned by D-Link Corporation directly and indirectly
D-Link Corporation	YEOCHIA	Taiwan	Investment company	122,400	122,400	-	100.00 %	321,083	5,191	5,191	
D-Link Corporation	YEOMAO	Taiwan	Investment company	70,052	70,052	10,220,271	100.00 %	56,325	(1,224)	(1,224)	
D-Link Corporation	YEOTAI	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	59,649	8,702	8,702	
D-Link Corporation	D-Link L.A.	Cayman Islands	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(529,880)	466	466	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	(4,110)	(6,788)	(6,788)	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 %	7,200	(1,025)	(1,025)	100% shares owned by D-Link Corporation and D-Link Sudamerica
D-Link Investment	D-Link Trade	Russia	Marketing and after-sales service in Russia	66,538	66,538	-	100.00 %	(143,065)	19,606	19,606	
D-Link International	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	22	22	1,000	0.10 %	20	(5,360)	-	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 %	31,792	32,768	-	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 %	(36,029)	(5,448)	(5,448)	
D-Link International	D-Link Trade M	Republic of Moldova	Marketing and after-sales service in Moldova	13	13	-	100.00 %	(777)	78	78	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	752,553	(90,399)	(90,399)	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after-sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,215	971	971	

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D-LINK CORPORATION
Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of wnership	Balance as of December 31, 2019 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
D-Link International	D-Link Lithuania	Lithuania	Marketing and after-sales service	3,574	3,574	1,000	100.00 %	2,994	488	488	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	824,951	68,469	68,469	
D-Link Holding	D-Link Europe	UK	Marketing and after-sales service in Europe	971,293	971,293	34,455,055	100.00 %	1,188,878	26,940	26,940	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(504,010)	(84,764)	(84,764)	
D-Link Holding	D-Link Hong Kong	Hong Kong	Investment company	-	143	-	100.00 %	-	-	-	
D-Link Holding	OOO D-Link Russia	Russia	After-sales service in Russia	11,309	11,309	-	100.00 %	5,903	(48)	(48)	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after-sales service	8,466	8,466	425,340	0.64 %	(8,931)	(269,837)	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	D-Link Systems	USA	Marketing and after-sales service in USA	49,320	49,320	750,000	1.56 %	45,159	(5,657)	-	D-Link Systems share's profit recognized in D-Link Corporation
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after-sales service	68,566	68,566	1,000,000	100.00 %	1,528	(219)	(219)	
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	184,307	(477)	(477)	
D-Link Holding	MiiiCasa Holding	Cayman Islands	Investment company	61,087	61,087	21,000,000	28.98 %	-	(1,130)	-	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	-	-	100	- %	-	(30,179)	-	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	- %	-	(6,788)	-	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 %	824,328	135,946	69,360	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	45	-	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 %	117,169	45	45	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A.	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	-	-	1	0.12 %	1	15	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica
D-Link L.A.	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	-	-	1	0.03 %	(2)	1,001	-	D-Link Peru S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after-sales service in Argentina	2,750	2,750	100	100.00 %	139	(70)	(70)	
D-Link Sudamerica	D-Link de Colombia S.A.S.	Colombia	Marketing and after-sales service in Colombia	22,213	22,213	1,443,605	100.00 %	8,530	(102)	(102)	
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after-sales service in Ecuador	26	26	799	99.88 %	536	15	15	100% shares owned by D-Link L.A. and D-Link Sudamerica
D-Link Sudamerica	D-Link Guatemala	Guatemala	Marketing and after-sales service in Guatemala	410	410	99,000	99.00 %	557	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after-sales service in Peru	38	38	3,499	99.97 %	(7,280)	1,001	1,001	100% shares owned by D-Link L.A. and D-Link Sudamerica
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	6	6	3	- %	-	(1,025)	-	D-Link Mexicana share's profit recognized in D-Link Corporation
D-Link Europe	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	131,769	131,769	-	100.00 %	167,931	6,192	6,192	
D-Link Europe	D Link AB	Sweden	Marketing and after-sales service in Sweden	9,022	9,022	15,500	100.00 %	13,559	1,182	1,182	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after-sales service in Spain	1,976	1,976	50,000	100.00 %	53,144	5,432	5,432	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after-sales service in Italy	2,177	2,177	50,000	100.00 %	19,257	(6,700)	(6,700)	
D-Link Europe	D-Link (Holdings) Ltd.	UK	Investment company	-	-	3	100.00 %	9,679	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after-sales service in France	5,287	5,287	114,560	100.00 %	35,649	4,960	4,960	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after-sales service in Netherlands	2,132	2,132	50,000	100.00 %	5,748	531	531	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of wnership	Carrying value			
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 %	26,803	1,812	1,812	
D-Link Europe	D-Link Magyarorszag	Hungary	Marketing and after-sales service in Hungary	523	523	300	100.00 %	10,699	66	66	
D-Link Europe	D-Link s.r.o.	Czech	Marketing and after-sales service in Czech	329	329	100	100.00 %	9,311	231	231	
D-Link Mediterraneo SRL	D-Link Adria d.o.o	Croatia	Marketing and after-sales service in Croatia	326	-	-	100.00 %	1,285	27	27	
D-Link (Holdings) Ltd.	D-Link UK	UK	Marketing and after-sales service in UK	-	-	300,100	100.00 %	9,679	-	-	
D-Link ME	D-Link Network	South Africa	Marketing and after-sales service in South Africa	-	-	-	100.00 %	-	-	-	
YEOCHIA and YEOMAO	ALPHA	Taiwan	Research, developments, design, manufacturing and sell broadband products, wireless products, computer networks system equipment end its components	196,416	224,549	6,372,276	1.17 %	153,808	238,903	3,078	
YEOCHIA and YEOTAI	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	181,500	181,500	1,832,446	41.18 %	-	9,305	-	

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

Note 2: Limited Company

Note 3: Share of profit (loss) of associates accounted for using equity method was recognized in D-Link Europe.

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

(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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	587,067	(2)	587,067	-	-	587,067	(85,541)	100.00%	(85,541)	(510,685)	-
Netpro Trading	Research, development and trading business	21,074	(2)	19,644	-	-	19,644	777	100.00%	777	10,472	-
YouXiang	Technical Service and Import/Export trading business	61,281	(3)	-	-	-	-	(29,324)	9.86%	-	2,245	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Other

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 30.11, RMB 4.32 as of December 31, 2019.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
606,711	606,711	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”.

(14) Segment information:

Please refer to Consolidated Financial Statements for the years ended December 31, 2019, and 2018.

Building Networks for People

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