

N

I  
E

T

consumers

W

O

R

businesses

K

More Experiences

More Excitement

More Productivity

More Opportunity

S

service providers

Our innovations  
connect you to a  
world that is  
more powerful,  
more intelligent,  
more protected,  
and truly seamless.

**D-Link®**

# Letter to Shareholders

---

Dear Shareholders,

Facing a slow recovery of the global economy, some regions adopted trade-protection policies, but geopolitical risks still exist. The communications and Internet equipment sector is highly competitive. In addition to the original equipment manufacturers in the field, online service providers have also joined this competition, making us face more daunting challenges in the consumer market. The D-Link management team adheres to the spirit of “innovation,” “execution capability,” and “heritage,” and actively restructures the organization and adjusts its strategies to turn losses into profits.

With a history of 32 years, D-Link has been pursuing breakthroughs and innovations for a long time with the self-developed brand D-Link as the pivot of development. Our product research and development and design have been guided from users' perspectives. Meanwhile, we actively connect with the international industrial ecological chain and stay ahead in our industry. For example, our wireless router DIR-882 AC2600 MU-MIMO of the "Assassin" series launched last year has been selected as the best 11AC wireless router for 2018 by the international media CNET. Both COVR, the tri-band home Wi-Fi full coverage system, and the 4G LTE outdoor network camera, have been recognized by the CES 2018 Innovation Awards, and the 4G/LTE outdoor network camera has also won the iF Design Award.

**In 2017, up to six of our products were recognized by Taiwan Excellence, which showcases the innovative strengths of our products in terms of research and development, design, quality, and marketing.**

D-Link has devoted itself to social charitable events in the principles of social service and giving back to the society, and we also founded the D-Link Charity Foundation in 1994 to participate in various charity events. It has implemented rural education promotion programs, and established starlight classrooms in cooperation with non-profit groups to bridge the digital education gap between urban and rural areas. At the same time, D-Link has also provided counseling to nonprofit organizations (NPOs) to transform social enterprises. Hopefully, through guiding social enterprises to adopt the business model of selling organic or non-toxic products, social welfare groups can earn the required funds to achieve self-sufficiency goals. Currently, we have successfully transformed NPOs, such as Seedinland Charity, into social enterprises.

Looking toward 2018, D-Link will continue accelerating the optimization of software services and integration of hardware devices, providing consumers with better and more accessible and convenient technologies in their daily lives. We will strive to set different goals and strategies for different markets and distribute resources accordingly, while investing in software and firmware development to strengthen our product competitiveness. We will continue to improve in corporate governance, economic and industrial development, labor/management relations, employee care, environmental protection, and social commitment, etc. As such, D-Link will adhere to its corporate social responsibilities and create sustainable innovations. ■



**Lori Hu**  
D-Link Chairman





**DCS-8100LH**  
HD super wide-angle AC  
wireless network camera.



**DWR-932C**  
4G LTE portable wireless  
router.



**DCS-2670L**  
Full HD 180-degree  
outdoor wireless camera.



**COVR-3902**  
Covr home Wi-Fi full  
coverage system.



**DSH-C310**  
Omna full HD 180-degree  
network camera.



**COVR-P2502**  
The Powerline Wi-Fi  
System



# Table of Contents

---

/	Letter to Shareholders
010	Financial Highlights
012	Globalization
016	International Offices
018	Southeast Asia
024	India
030	North America
036	Europe
042	Consumer Solution
050	Business Solution
054	Service Provider
060	CSR
068	Board Members
073	Consolidated Financial Statements

# Financial Highlights

	2017	2016
Net Sales	22,921,798	19,316,079
Gross Profit	6,016,963	5,198,754
Operating Loss	(855,365)	(457,690)
Net Loss before Tax	(789,374)	(125,228)
Net Loss	(909,666)	(172,082)

FX Rate (USD to NTD)	32.323	30.459
----------------------	--------	--------

Cash & Cash Equivalents	4,314,246	3,705,869
Total Assets	19,390,896	17,204,362
Long Term Loans	—	—
Shareholder's Equity	9,930,590	9,407,770
Shares Outstanding**	635,365	644,305

FX Rate (USD to NTD)	32.312	29.848
----------------------	--------	--------

\*\* in thousands

# Globalization

Over 149 local sales offices in 60 countries.  
20 regional warehouses in 15 countries.  
Over 37 RMA repair centers around the globe.

**Unity** : a strategy for success executed on a global scale. D-Link is the worldwide leader and an award-winning designer, developer, and provider of Wi-Fi and Ethernet networking, broadband, multimedia, voice and data communications, and digital electronics solutions. D-Link has systematically expanded its market share by penetrating geographic targets through a strategy of establishing in-country business units supported by a strong corporate foundation.

Confident in the resources of D-Link headquarters to develop and deliver state-of-the-art networking solutions, each local business—regardless of its location around the world—effectively penetrates the market. The Company's innovative products provide solutions for home and businesses, each built with standards-based reliability. D-Link has become a trusted international brand that connects people to their lives, to their work, and to each other. ■

149 /



Local Sales Office

20 /

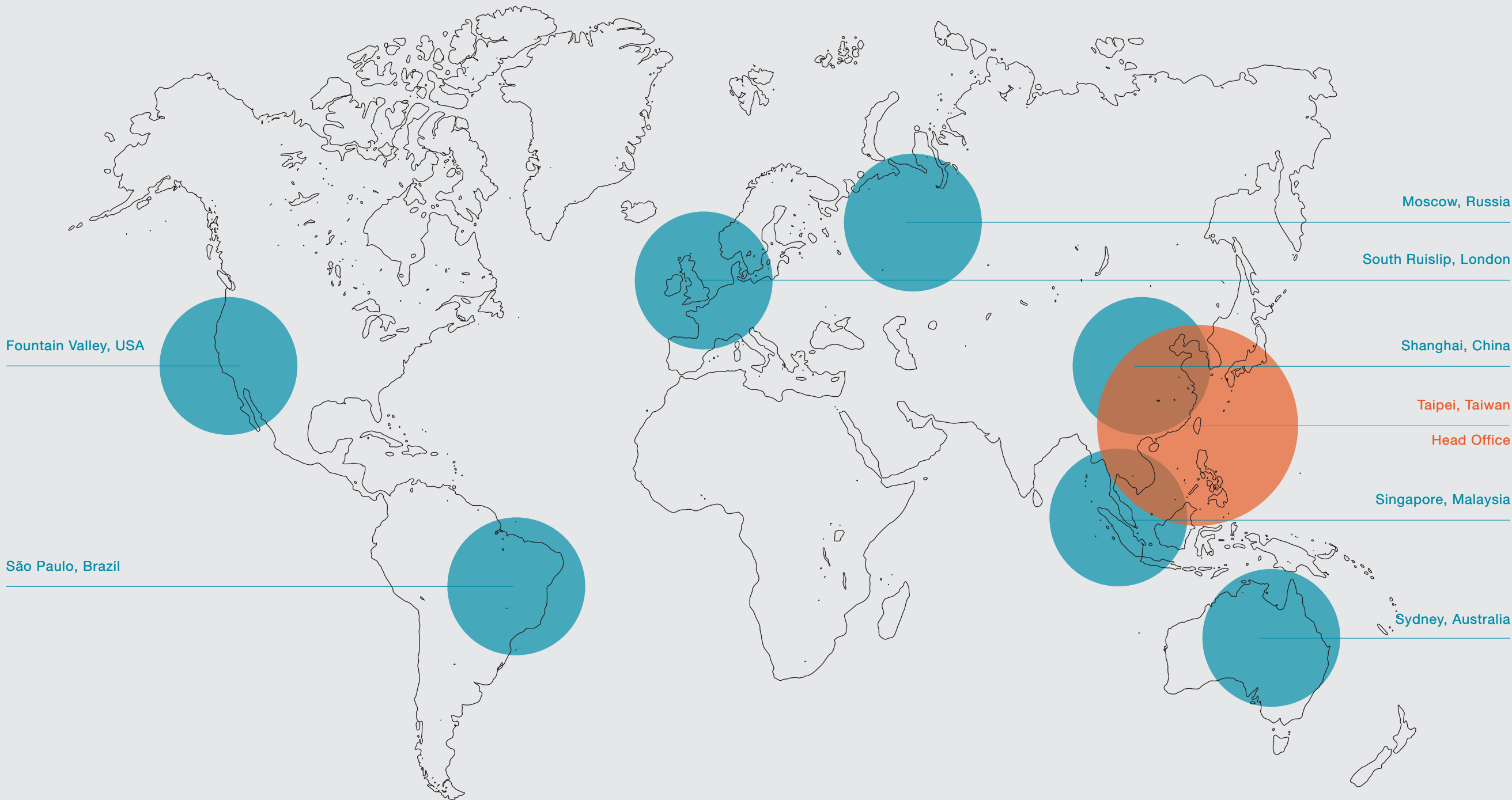


Regional Warehouses

37 /



RMA Repair Centers



**27 \_ SINGAPORE**

1 International Business Park  
#03-12 The Synergy  
Singapore 609917  
T +65-6774-6233  
F +65-6774-6322  
[www.dlink-intl.com](http://www.dlink-intl.com)

**28 \_ SPAIN**

Calle Muntaner, 239-253, Floor  
30 B 08021 Barcelona, Spain  
T +34 93 409 0770  
F +34 93 491 0795  
[www.dlink.com](http://www.dlink.com)

**29 \_ SWEDEN**

Box 15036, S-167 15 Bromma,  
Sweden  
T +46-(0)8564-61900  
F +46-(0)8564-61901  
[www.dlink.com](http://www.dlink.com)

**30 \_ USA**

17595 Mount Herrmann Street,  
Fountain Valley, CA 92708  
T (714) 885-6000  
F 949-272-4613  
[us.dlink.com](http://us.dlink.com)

**19 \_ MALAYSIA**

Strata office SO-20-8, Menara 1, KL  
Eco City, Jln. Bangsar, Kg. Hj  
Abdullah Hukum 59200 Kuala  
Lumpur, Malaysia  
T (603) 2202-0032  
T —  
[www.dlink.com.my](http://www.dlink.com.my)

**20 \_ MEXICO**

Calle Lago Alberto, Num Ext 319,  
Num Int 6, Col. Granadas. Del  
Miguel Hidalgo, CP 11520, Mexico  
D.F.  
T (52-55) 42093100  
T —  
[la.dlink.com](http://la.dlink.com)

**21 \_ MIDDLE EAST**

P.O. Box: 18224, Plot No. S31102,  
Jebel Ali Free Zone - South Dubai,  
United Arab Emirates.  
T +971-4-880-9022  
T +971-4-880-9069  
[www.dlinkmea.com](http://www.dlinkmea.com)

**22 \_ NETHERLANDS**

Weena 290, 3012 NJ Rotterdam ,  
Netherlands  
T +31 (0)10 799 4348  
T —  
[www.dlink.com](http://www.dlink.com)

**23 \_ PERÚ**

Calle Mártir José Olaya 129 Oficina  
503 Miraflores, Centro Empresarial  
Jose Pardo, Lima –Peru  
T 51 1 651 6500  
F —  
[la.dlink.com](http://la.dlink.com)

**24 \_ POLAND**

ul. Olkuska 7, 02-604 Warszawa,  
Poland  
T +48 22 379 72 00  
F +48 22 379 72 01  
[www.dlink.com](http://www.dlink.com)

**25 \_ REPUBLIC OF MOLDOVA**

MD-2001, Negruzzi C. Blvd., 8,  
Chisinau, Republic of Moldova.  
T 37322800877  
F 37322260351  
[www.dlink.md](http://www.dlink.md)

**26 \_ RUSSIA**

390043, Russia, Ryazan, Shabulina,  
16  
T +7 (4912) 503-505  
F +7 (4912) 503-505  
[www.dlink.ru](http://www.dlink.ru)

**11 \_ EUROPE, UK & IRELAND**

Odyssey Business Park, Part First  
Floor (North), Artemis Building, West  
End Road, South Ruislip, HA4 6QE  
T +44-20-8955-9000  
F +44-20-8955-9002  
[www.dlink.com](http://www.dlink.com)

**12 \_ FRANCE**

41 Boulevard Vauban, 78280  
Guyancourt, France  
T +33 1 30 23 86 88  
F +33 1 30 23 86 89  
[www.dlink.com](http://www.dlink.com)

**13 \_ GERMANY**

Schwalbacher Strasse 74, D-65760  
Eschborn, Germany  
T -84137  
F +49-6196-7799300  
[www.dlink.com](http://www.dlink.com)

**14 \_ HUNGARY**

Robert Karoly Korut 59  
1134 Budapest, Hungary  
T +36 1 461 3000  
F +36 1 461 3004  
[www.dlink.com](http://www.dlink.com)

**15 \_ INDIA**

Kalpataru Square, 2nd Floor, Unit  
No. 24, Kondivita Lane, Next to VITS  
Hotel Off Andheri Kurla Road,  
Andheri East Mumbai- 400059, India  
T +91-22-2921-5700  
F +91-22-2830-1901  
<http://www.dlink.co.in>

**16 \_ ITALY**

Via Negroli 35, 20133 Milano, Italy  
T +39-02-9289-8000  
F +39-02-2900-1723  
[www.dlink.com](http://www.dlink.com)

**17 \_ JAPAN**

2F, SOWA Gotanda Building, 2-7-18,  
Higashigotanda Shinagawa-ku  
Tokyo 141-0022, Japan  
T +81-3-5792-5100  
F +81-3-5792-5105  
[www.dlink-jp.com](http://www.dlink-jp.com)

**18 \_ KOREA**

(Guro-dong, Woolim E-biz Center 1)  
RM 1401, 28, Digital-ro 33-gil, Guro-  
gu, Seoul, 08377 Korea  
T +82-2-6271-5050  
[www.d-link.co.kr/](http://www.d-link.co.kr/)

**06 \_ CHILE**

Av. Santa Rosa 17, Of 63,  
Santiago, Chile  
T (56-2) 29522800  
F —  
[www.dlinkla.com](http://www.dlinkla.com)

**07 \_ CHINA**

block A , room 901, SAN Noah  
building,No.1759 Jinshajiang road,  
putuo district of Shanghai  
T +86-21-52068899  
F +86-21-52063500  
[www.dlink.com.cn](http://www.dlink.com.cn)

**08 \_ COLOMBIA**

Cl 24 # 95A-80 Oficina 706,  
Bogotá, Colombia  
T 57 1 254 39 60  
F —  
[www.dlinkla.com](http://www.dlinkla.com)

**09 \_ CZECH REPUBLIC**

Building City Empiria, 15th fl. Na  
Strzi 65/1702 140 62 Praha 4, Czech  
Republic  
T +420 224 247 500  
F +420 224 234 967  
[www.dlink.com](http://www.dlink.com)

**10 \_ ECUADOR**

Av. Joaquin Orrantia & Av. Juan  
Tanca Marego/ Edificio "Torres del  
Mall del Sol"- Torre "A" & "B"- Piso  
"4"/ C.P. EC 090112  
T (593)4 2 630407  
F (593)4 2 630401  
[www.dlinkla.com](http://www.dlinkla.com)

# International Offices

**01 \_ TAIWAN (Headquarters)**

No. 289 Xinhu 3rd Road NeiHu,  
Taipei 114, Taiwan  
T +886-2-6600-0123  
F +886-2-2790-0977  
[www.dlink.com](http://www.dlink.com)

**02 \_ ADRIA**

Cvjetno naselje II 18, 10 000  
Zagreb, Croatia  
T +385 (1) 6189 145  
F +385 (1) 6189 144  
[www.dlink.com](http://www.dlink.com)

**03 \_ AUSTRALIA**

6-10 Talavera Rd North Ryde,  
NSW, 2113  
T +61-2-8899 1800  
F +61-2-8899 1868  
[www.dlink.com.au](http://www.dlink.com.au)

**04 \_ BRAZIL**

Rua Apeninos, 1126, 10º Andar -  
CEP 04104-021, PARAÍSO -  
SÃO PAULO, São Paulo, Brazil  
T +55-11-2185-9320  
F +55-11-2185-9321  
[www.dlink.com.br](http://www.dlink.com.br)

**05 \_ CANADA**

2525 Meadowvale Boulevard  
Mississauga, ON L5N 5S2, Canada  
T +886-2-6600-0123  
F +886-2-2790-0977  
[www.dlink.ca](http://www.dlink.ca)

- 01. TAIWAN
- 02. ADRIA
- 03. AUSTRALIA
- 04. BRAZIL
- 05. CANADA
- 06. CHILE
- 07. CHINA
- 08. COLOMBIA
- 09. CZECH REPUBLIC
- 10. ECUADOR
- 11. EUROPE, UK & IRELAND
- 12. FRANCE
- 13. GERMANY
- 14. HUNGARY
- 15. INDIA
- 16. ITALY
- 17. JAPAN
- 18. KOREA
- 19. MALAYSIA
- 20. MEXICO
- 21. MIDDLE EAST
- 22. NETHERLANDS
- 23. PERÚ
- 24. POLAND
- 25. REPUBLIC OF MOLDOVA
- 26. RUSSIA
- 27. SINGAPORE
- 28. SPAIN
- 29. SWEDEN
- 30. USA

\* Arranged in  
alphabetical order

- Letter to Shareholders
- Financial Highlights
- Globalization
- International Offices
- Southeast Asia
- India
- North America
- Europe
- Consumer Solution
- Business Solution
- Service Provider
- CSR
- Board Members

# Southeast Asia

Due to the economic conditions and reduced spending on infrastructure, the overall market opportunities decreased, yet D-Link still held a formidable position both in the SMB and the consumer segment.

D-Link DRS has maintained its industry ranking as one of the top networking players in the region despite the fierce and aggressive competition from the major leading networking brands and other networking brands from China that pushed their products into the market with low pricing.

Since 2016, DRS has been growing and expanding our businesses through Telco partnerships and major projects with our consumer and SMB solutions. Moving forward, we will still be very much focused on wireless products, IP cameras, mobile solutions and unmanaged switches to increase our market share in the retail and Telco segment. As for the SMB segment, our focus will be on managed switches, APs, IP surveillance and structure cable solutions to achieve growth in vertical industries such as education and hospitality.

Our success in this region is due to the team's efficiency and sensitivity to market changes, strong relationships with our partners and customers, and local presence in terms of sales, pre-sales and technical support to ensure more in-depth reach to meet local market demand. The region has also expanded its team as part of a strategy to cover more states and provinces and reach out to our customers with project support and technical training and certification, equipping them with updated market and technical knowledge.

The region has set up a D-Link Academy, offering courses such as D-Link Certified Network Design Associate (DCNA), D-Link Certified Network Professional (DCNP) and D-Link Certified Network Engineer (DCNE) to our system integrators and partners to create awareness of our total solutions and provide relevant knowledge to enhance their confidence while proposing D-Link solutions in the project tenders.

DRS has been engaging with our partners, channels and consumers actively with extensive field marketing efforts such as showroom branding, retail displays, co-branding advertisements, events and online stores within the region. We aim to create constant awareness and excitement on our new products and solutions to stand out among the competition in the market. Direct technical support from DRS on major projects and key partners is also one of our strengths in the market where most of the competitors are not able to provide such service. Our continuous effort in D-Link branding and generating demands and leads include engaging partners in training, exhibitions, email marketing, sales promotions, online/social media advertisements, retail marketing, incentive programs and production of marketing collaterals.

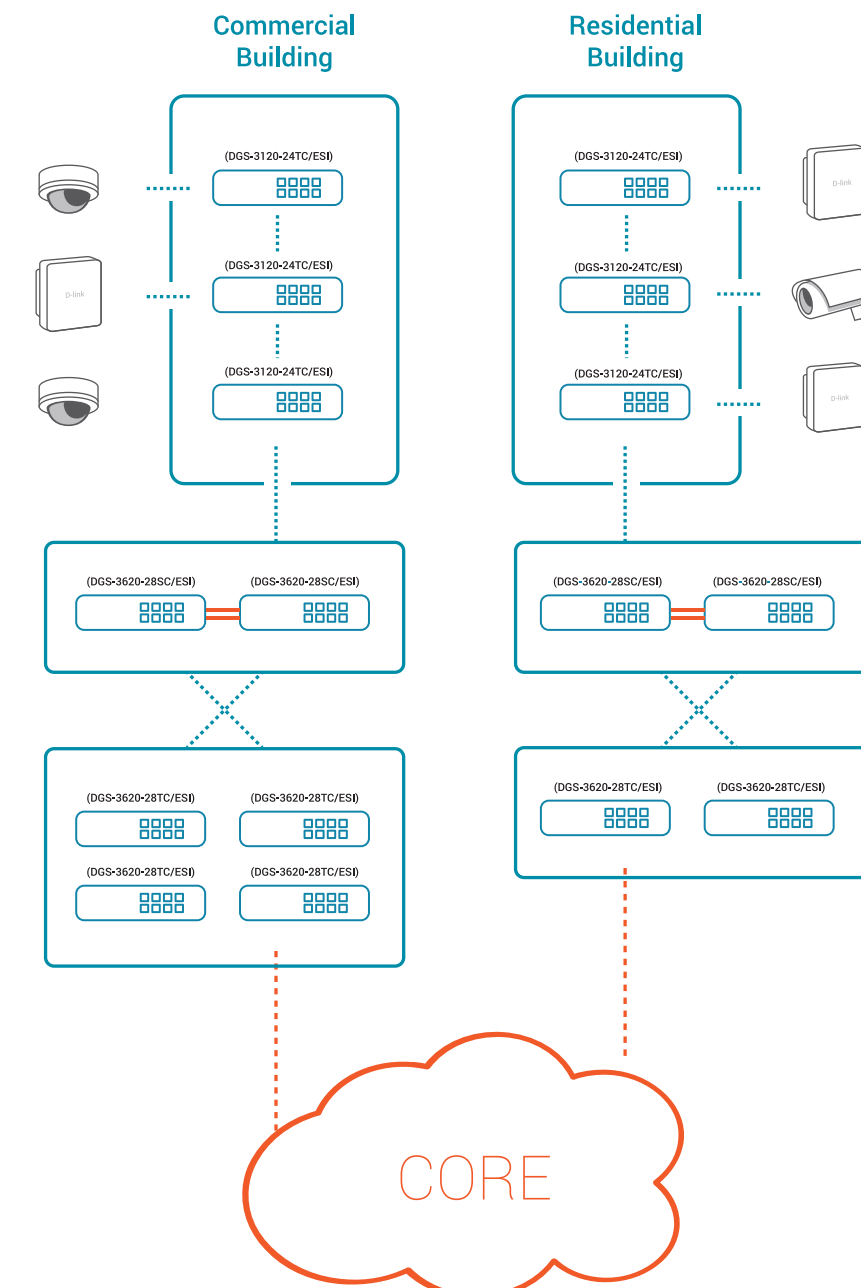
DRS faces plenty of external and internal challenges that impact the growth of

the business such as the high fluctuation of the currency exchange rate, macro environment issues (eg regulation changes), product quality issues, project support (eg firmware customization) and long lead time in stocks. The ease of online purchases and shipment of networking products to the region from China is yet another challenge for DRS to handle for years to come.

Despite the challenges, DRS has won several major projects with a few highlighted below:

1. True (Thailand)
2. PLDT (Philippines)
3. First Media (Indonesia)
4. Marina One (Singapore)

In addition, the D-Link DWR-932C 4G/LTE Mobile Router is one of the top selling mobile routers in Singapore, Indonesia, Thailand, Malaysia, Vietnam and Myanmar retail stores. It's ideal for business trips when you need to share a mobile Internet connection among multiple devices. It gives you instant connectivity in a powerful yet portable device that fits easily into your pocket.



◀ **Marina One (Singapore)**  
Complete end-to-end networking solution with redundancy architecture.

01.	Layer 3 Gigabit Fiber Switches	/	4 units of DGS-3620-28SC
02.	Layer 3 Gigabit Switches	/	6 units of DGS-3620-28TC
03.	Layer 2 Gigabit Switches	/	24 units of DGS-3120-24TC
04.	1G SFP Transceivers	/	124 units of DEM-311GT
05.	10-GbE SFP+ cable	/	4 units of DEM-CB100S
06.	Redundant Power Supply for Layer 3 Switches	/	10 units of DPS-500A
07.	2-Slot Chassis	/	5 units of DPS-800
08.	Multi-Mode Media Converter	/	4 units of DMC-700SC

01



05



02



06



03



07



04



08



## Marina One Singapore

▲ CASE STUDY

### Background

Marina One is a high-end integrated property development within Marina Bay financial district in Singapore. Nestled by Marina Station Square and Central Linear Park, Marina One is designed by world leader in sustainable Supergreen architecture, Christoph Ingenhoven to create a leading edge ‘City in a Garden’ concept with lush greenery within Marina One’s Green Heart.

Marina One wanted a reliable and secured end-to-end networking solution that is able to support Bosch security systems and includes “backup switches” for redundancy purpose.

### Challenge

As extensive data traffic is expected, Marina One needed to ensure that the networking system could meet the bandwidth demands, relieve the bandwidth bottlenecks and keep the data traffic flow at the fastest possible speeds.

D-Link was asked to propose a complete solution that would cover the core / distribution layer, together with the edge layer that runs on high-speed performance. The following products are all that help to create the core and edge layers of the entire networking solution.





D W R - 9 3 2 C

4G LTE Mobile Router / Share an Internet SIM Card

◀ The 4G LTE Mobile Router can be configured to work as a Wi-Fi router or 4G modem. Share Internet connectivity with your colleagues or family while travelling or at work.





Indians driving the country towards progress, coupled with the government's ongoing initiatives - technology is the inevitable factor that is helping weave the incredible growth story for the country. The eCommerce boom, inspiring start-up success stories wherein technology is a major enabler, has set the ball rolling. Government initiatives have opened new avenues for the growth of ICT brands.

Empowering the nation with renewed focus on infrastructure development, technology is the key enabler in this drive to take India towards sustainable development. D-Link is in the forefront when it comes to delivering efficient technology solutions that offer the latest & best in the networking domain.

**D-Link India Helping Consumers & Businesses Connect To More**

In the year 2017 D-Link persistently helped businesses & consumers connect to more. In the process D-Link introduced a host of innovative network solutions, starting with the introduction of 4G LTE (4th Generation Long Term Evolution) unlocked Dongles & Routers as a gateway to high-speed internet & media content. D-Link also announced the compatibility of the mydlink Wi-Fi smart plug with the Google Assistant.

On the enterprise front, D-Link continued to help businesses develop robust and secure network infrastructures with its end-to-end solution offerings. D-Link also expanded its surveillance portfolio by venturing into the CCTV segment. The CCTV Analog HD is set to address the growing demand from Residential, SOHO, SME, Banking, Hospitality and other commercial establishments with its comprehensive solution based methodology. Furthermore, D-Link is working with various partner/ system integrators with both active & passive networking solutions on the smart city project. Our smart city vision includes a robust, seamless, scalable and future-proof networking solutions that are essential for a sustainable smart city ecosystem. With data communication infrastructure, wireless connectivity offerings, city surveillance solutions, industrial networking, structured cabling & FTTH and business cloud option, D-Link offers comprehensive solutions for smart city networks.

Consumers can now control their mydlink Wi-Fi Smart Plugs from anywhere by saying “Ok Google” and asking the Google Assistant to turn the plugs on and off, opening up a world of possibilities for homeowners to manage their appliances.

**Partner Engagement**

D-Link proudly boasts strong partner networks across India. Channel community has been a crucial propagator of D-Link's technological advancements, allowing us to reach out to our prospective customers across the country.

D-Link is one of the most preferred networking brands amongst partners & resellers. At present D-Link has 4 National Distributors, 80+ Business Distributors, and over 15000+ re-seller reaching out to customers. As mentioned earlier we are building a network of Value Added Distributors (VAD) who can further enhance our market reach.

D-Link stands committed to its partner/ resellers who have earnestly endorsed us in India for close to 25 years now. As a result, channel partners continues to be an integral part of our business strategy, with partner engagement & profitability highly valued. So we ensure all our strategies are devised keeping the welfare of our channel partners in mind. Road shows/ seminar/ partner engagement programs are platforms that allow us to interact directly with the channels. D-Link conducts such roadshows throughout the year in A, B & C class cities. The objective of these meets is to introduce partners to the latest in networking technology, update them on the product range, and address business concerns if any. Additionally, D-Link also conducts training & certification programs. For our Structured Cabling product line we have recently rolled out the D-Link Certified Cabling Expert (DCCCE) program across India.

India

India is one of the world's fastest growing major economies, with a projected growth rate of 7.4% in 2018 and 7.8% in 2019.

**Industry Outlook**

The outlook for medium term remains positive according to a recent IMF report. The IT industry in which we operate contributes 7.7% to the country's GDP. Today, it is fueling the growth of start-ups and this sector is attracting nearly 37% of the total private equity and venture investments in the country.

According to IDC's latest Asia/Pacific Quarterly Ethernet Switch Tracker, the Q4 2017 Ethernet Switch market in India stood at \$118.7 million (By vendor revenue) with a de-growth of 9.5% Y-o-Y due to reduced spending across organizations. D-Link dominated the switching segment with 48% market share (in terms of port shipment) during Q4 2017. The top five verticals in Q4 2017 were professional services, banking, telecom, government and education. Various digital initiatives by the government would trigger additional investments in the coming quarters.

Additionally, the WLAN market in India stood at \$42.1 million (by vendor revenue) in Q4 2017 and a Y-o-Y decline of 8.9%. D-Link continues to be the leader in Q4 2017 in the WLAN market with a 39% market share (in terms of unit shipment). For enterprises, government, education and professional services remained the top verticals. Going forward the various smart city initiatives by the government to deploy Wi-Fi solutions will have a positive impact on the WLAN market.

**Products' Sales Performance And Progress**

D-Link continued to lead the networking segment in India with its consumer, wireless & switching products. In addition to this, D-Link held significant market share in the structured cabling segment.

**Promoting Digital India**

India is moving towards embracing digital economy, with technology playing a crucial role in building a dynamic & sustainable nation. The Digital India program is a progressive & ambitious project of the current government that is likely to bring along huge opportunities of growth & put India on the world map as an influential economy. Programs like Digital India & Smart city are driving technology adoption and bridging the gap between rural & urban India. Broadband connection and trends like Internet of things (IoT) are likely to foresee huge demand in the near future. These initiatives will bring India closer to the developed nations, enable the citizens to explore a more connected world and also reap the benefits of technology in their day-to-day living.

The current socio-economic & political scenario in the country is highly favorable for the proliferation of technology. With a large population of aspirational young



### Customer Support

Customer satisfaction is always of the utmost importance to D-Link. We have made significant investments in setting up a robust service infrastructure which encompasses 11 D-Link Direct Service Centers, 45 Partner Service Centers and 207 Courier collection points that have enabled us to cover 140+ locations with 263+ Service Points for customer support. D-Link's mission is to 'Build Networks for People' and to accomplish this mission, we aim to provide unmatched experience through superior products and exceptional service. ■





◀ The mydlink™ Home Smart Plug (DSP-W215) is a multi-purpose, compact and easy-to-use smart home device that allows you to monitor and control your home's electronic appliances from anywhere.

Ok Google, turn on the lights.

You got it, turning on the lights.



Letter to Shareholders  
Financial Highlights  
Globalization  
International Offices  
Southeast Asia  
◦ India  
North America  
Europe  
Consumer Solution  
Business Solution  
Service Provider  
CSR  
Board Members



# North America

In 2017, D-Link continued to lead the market in the consumer Wi-Fi camera segment with the launch of the D-Link Omna Camera (DSH-C310).

The D-Link Omna camera is the world's first Apple HomeKit enabled camera and achieved placement at Apple stores in the US and globally. In addition to supporting Apple's HomeKit, the Omna camera features 180-degree viewing for wall-to-wall monitoring and dynamic video streaming to ensure the best user experience for streaming video based on connection bandwidth. D-Link also continued to provide end users with the best experience and value with the mydlink Wi-Fi cameras. The cameras are sold across major national retailers, including Best Buy, Walmart and Staples and are available on Amazon and other retailers. In 2017, D-Link expanded the line of mydlink cameras at Walmart and Best Buy, offering consumers a broad range of options and price points. D-Link also launched a new mini form factor Wi-Fi camera (DCS-8000LH) with both a single and 2-pack offering started at \$59.99 USD. Continuing with D-Link's focus on providing consumers more value and enhancements of features, D-Link was one of the first to launch the Google Assistant video casting on the DCS-936L and DCS-2530L cameras. With a firmware upgrade, users are able to use the Google Assistant voice command to video stream the camera video directly to a Google Chromecast-enabled TV. D-Link also launched their first mesh solution with the COVR-3902 system. The D-Link COVR-3902 solution offers a unique combination of an ultra fast AC2600 router and mesh COVR point with exceptional Wi-Fi performance and coverage.

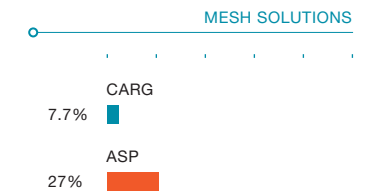
D-Link's DCS-936L mydlink camera continues to lead the D-Link market sales with its excellent features and value. With local video recording and ability to integrate with Google casting, the DCS-936L provides users with an exceptional camera at an affordable price point. There are numerous challenges in the consumer Wi-Fi camera market with the introduction of low cost imported solutions being sold online and the growth of outdoor and wire-free solutions. Additionally, users have migrated to 1080p video with the lower cost offerings for the higher video quality. D-Link is addressing these challenges with a broad assortment of cameras that reach different solutions requirements, such as a pan and tilt camera to see more areas within the room.

We made additional progress in 2017 with our Wi-Fi cameras with additional models at Best Buy and Walmart and continued enhancements with our app working in partnership with Google and Apple.

D-Link has done well with regional broadband service providers by offering great solutions at affordable price points. D-Link continues to provide solutions to Verizon, AT&T with a DSL router and Wi-Fi USB adapter for on premise solutions to their customers. D-Link partnered with US Cellular to launch a new LTE broadband router for home and small business installations where cable and DSL solutions are not available. D-Link has also taken a LTE router with M2M capabilities to our business customers, offering connectivity solutions for unique business applications where wired connections are not available or to provide a failover connection to keep their networks connected.

Whole Home Wi-Fi mesh solutions are the fastest growing segment of consumer Wi-Fi networking solutions in the US. This growth is based on the increased adoption of IoT devices, including cameras and other smart home solutions and the need for better Wi-Fi coverage in homes. D-Link's first whole home solution was launched in 2017, and in 2018, there are plans to launch additional mesh solutions covering different user performance needs and price points. According to market research, mesh solutions are growing at a rate of 7.7% CAGR with an increase in average selling price (ASP) of 27% during the last 2-years. Wi-Fi camera solutions continue to lead the adoption of IoT and smart home solutions in the US. There is a large growth of outdoor and wire-free cameras which D-Link is planning to address in 2018 with new products in these segments of the consumer Wi-Fi camera market. As with the broader consumer market, service providers are looking for mesh Wi-Fi solutions to provide better Wi-Fi coverage in homes where broadband service is also being provided. Service providers are also looking for remote management capabilities, such as TR-069 to manage and resolve on premise offerings without requiring a truck roll.

In the Enterprise space, D-Link expanded its presence in key vertical markets including casinos, manufacturing, multi-site retail and multi-dwelling unit markets. D-Link also saw significant increased performance in the security market. D-Link continued to grow its product offerings by launching into the white box switch market while business-class smart-managed and fully-managed ethernet switches continued to lead the way. D-Link also competed and won projects on a consistent basis with an extensive portfolio of standalone and Unified wireless solutions, IP surveillance cameras/NVRs and VPN router products. In 2017 D-Link deployed a modern demand generation platform allowing D-Link USA to engage deeper into the market than ever before. ■



▼ DSH-C310 is the first camera that supports Apple's HomeKit smart home platform. It allows consumers to be "always home" as they can monitor their homes easily.



## Pavlov Media

*D-Link helps Pavlov Media create reliable network connections for hundreds of off-campus student communities nationwide*

### Background

Pavlov Media is the nation’s largest private provider of internet and video services to off-campus student housing. The company’s team of more than 130 people continues to expand on a national fiber optic backbone that connects hundreds of multiple dwelling unit (MDU) communities and over 156,000 residents in more than 40 states, plus Canada.

### The Vision

Pavlov Media’s entire business is built on operating the fastest, most reliable networks available to maximize resident experiences from coast to coast. So partnering with the right provider of networking gear is paramount to their continued growth and success. “We choose our Ethernet equipment based on price, reliability and performance, and finally brand,” said Mark Scifres, CEO of Pavlov Media. Pavlov Media is also a network operator—competing with companies like Comcast and TimeWarner to operate and support its widespread expanse of private networks to ensure a quality customer experience. “Our service proposals have long sales cycles that require complex vendor coordination for network equipment models and designs that change over time,” said Scifres. “This requires flexibility in both engineering and the supply chain.” For all of these reasons, Pavlov continues to purchase and rely on networking gear from D-Link.

### The Solution

Pavlov Media’s relationship with D-Link started over a decade ago—and remains strong today. “Not only does D-Link have an excellent technical team, it has a great pricing-to-value ratio and their products are highly reliable—whereas many other affordable products aren’t,” said Scifres. Right now, one of Pavlov Media’s favorite D-Link products is the DGS-1510 Series—a Gigabit Stackable Smart Managed Switch that offers several critical features to meet Pavlov Media’s strict criteria. The DGS-1510 switch is also helping Pavlov Media keep up with its dramatic business growth. In 2016, Pavlov Media installed a total of 72,072 D-Link Ethernet ports—a 32% increase over its 58,984 total D-Link Ethernet ports installed in 2015. D-Link products are also helping Pavlov Media improve its business productivity and optimize profitability. Pavlov Media’s excellent relationship with D-Link goes far beyond quality products. Because the company’s sales are highly cyclical, product engineers from D-Link give Pavlov Media the support it needs to plan for the future. ■

## Alarm Pro

*D-Link Helps AlarmPro Build High-Performance Network to Increase Reliability and Ensure Long-Term Efficiency for Food Processing Company*

### Background

Located in Wanatchee, Washington, AlarmPro is a leading-edge systems integrator supporting a wide variety of clients throughout the Pacific Northwest. For more than seven years, this technology expert has been a trusted source for IT services, network design/installation services, managed access control, network administration and other security systems and equipment.

### The Vision

One of AlarmPro’s customers is Blue Bird Pears, a company that packs and processes a variety of tree fruit. With multiple processing facilities located throughout Washington, Blue Bird Pears processes a large volume of fruit each year, with increased demand during the annual harvest season. When one of Blue Bird’s main processing facilities was destroyed by a large fire in Fall 2015, they turned to AlarmPro to help rebuild their network and incorporate some much-needed upgrades. “We decided to build a network that was faster and much more robust and fault-tolerant than the previous one,” Jon Herrera, AlarmPro owner. “Blue Bird simply can’t afford unexpected downtime- especially during high production- and yet it’s something that had plagued them in the past. We put our heads together and came up with great network design and implemented it in a very short timeframe.”

AlarmPro’s history with D-Link networking gear made the proposal a no-brainer.

### The Solution

When designing the new network, Alarm Pro concentrated on speed and performance, but also network security. Blue Bird’s former network had very limited security, with only a tiny firewall in place. Consequently, the company was not able to segregate network traffic through VLANs. Limited network functionality was also a challenge. To address these issues, AlarmPro designed a strong network based on Layer 3 switches at the core and Layer 2 Plus for the LAN an all edge switches. With the cherry harvest and production about to begin, AlarmPro had less than two weeks to build out the entire network. Fortunately, AlarmPro had a strong ally in D-Link. “They did everything from ensuring our products arrived on time- even shipping most of it overnight- to making themselves available by phone anytime we needed and offering suggestions about the fastest and best ways to get things done,” said Herrera.

### D-Link in Action

Today, Blue Bird’s operations are running more smoothly than ever- a direct result of their improved network. ■



◀ The Covr AC3900 Whole Home Wi-Fi System (COVR-3902) is a revolutionary wireless networking solution comprised of the Covr AC2600 Seamless Wi-Fi Router (COVR-2600R) and Covr AC1300 Seamless Wi-Fi Range Extender (COVR-1300E).



- Letter to Shareholders
- Financial Highlights
- Globalization
- International Offices
- Southeast Asia
- India
- North America
- Europe
- Consumer Solution
- Business Solution
- Service Provider
- CSR
- Board Members



# Europe

Growth rates for the euro zone and the EU beat expectations in 2017 as the transition from economic recovery to expansion continued.

Both the euro zone and EU economies are estimated to have grown by 2.4% in 2017, the fastest pace in a decade.

This robust performance is set to continue in 2018 and 2019 with growth of 2.3% and 2.0% respectively in both the euro area and EU. However, political uncertainty coupled with the UK's decision to leave the European Union has provided a challenging year for the ICT market in Europe. Despite this, investment in network infrastructure driven by the increasing demand for cloud-hosted services, showed returning growth in the second half of 2017.

With new investment in connectivity, Industry 4.0 is becoming a reality with businesses realising the potential of the Internet of Things (IoT) to reduce costs and enable new business models. According to IoT Analytics, Smart Cities (23%), Connected Industry (17%) and Connected Buildings (12%) are the top three IoT projects in progress, with nearly half of the Global Smart City projects (45%) in Europe.

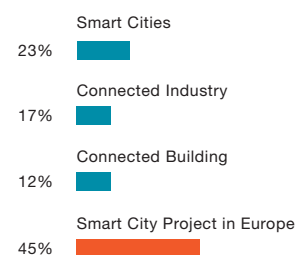
D-Link Europe continued to experience strong demand for its switching products in 2017, with Smart-Managed Switches experiencing particularly high demand. Video Surveillance continued to show strong demand throughout 2017, very much in line with the increased investment for IoT connectivity and Smart City video surveillance, with this trend predicted to continue for the foreseeable future. To consolidate its position in this burgeoning market, 2018 saw D-Link introduce a new family of Industrial Ethernet products designed to facilitate the Internet of Things. These products can be incorporated in Smart Cities, Connected Industry and Smart buildings thanks to their broad operating temperature spectrum and industrial design. With these Industrial Ethernet products, combined with D-Link's new Nuclias Cloud Network, universal wireless becomes a reality.

D-Link Europe has continued its strategy of expanding and developing its European partner network in 2017, running specific campaigns designed to not only attract new partners but also enhance the capabilities of existing partners. These campaigns have consistently shown positive results, with increased partner satisfaction as well as a discernible increase in the number of partners joining D-Link's Value In Partnership+ (VIP+) programme.

2017 saw D-Link Europe realign its Smart Home strategy to capitalise on the growth in popularity of voice controlled cloud-connected smart speakers. With over 5 million subscribers on its industry-leading mydlink cloud platform, expanding its functionality to include home automation and cloud recording has

resulted in stronger than anticipated growth. 2018 will see an expansion of the portfolio to target a complete new wireless camera market segment encompassing consumer and business. By adding these additional strategic products to its portfolio, D-Link is convinced that they will provide major opportunities for it and its channel partners to continue to flourish in 2018. ■

## IoT ANALYTICS





## Hungarian Science Academy – Network Extension

Since 2005, D-Link has been a supplier of Business Wireless and Switching products to the various institutes making up the Hungarian Science Academy. Over the years D-link's presence within this prestigious scientific institution has expanded. The Wigner Research Centre of Physics was the first Hungarian deployment for D-Link Wireless Controller Solution (DWS-3024) whilst the Institute of Experimental Medicine was D-Link Europe's first 10G switching network reference site. By 2016, D-Link's Business Solutions had been implemented in approximately 50% of their facilities and is widely accepted as a credible alternative to some larger networking companies. In 2015, The Hungarian government awarded €21 million to the Science Academy to construct a brand-new 21,000 square meter building. The new purpose built building was designed for 750 employees and designed to consolidate 3 different institutes (Research Centre for the Humanities, Centre for Social Sciences, Centre for Economic and Regional Studies) located previously in various older buildings into one purpose built facility.

When the institute started to plan the design of the new building, D-Link was engaged as a strategic partner for the implementation of their homogenous wired and wireless network. This was due to

D-Link's track record of delivering affordable and reliable networking solutions for the institute over the previous decade as well as its strong

relationship with the Network Planners and System Integrator for the Science Academy – eventually D -Link was awarded the project.

During the construction of the building, a local D-Link technical consultant supervised the initial design and commissioning of the network, as well as delivered the training of the Science Academy system administrators.

The new building opened its doors in 2017 and D-Link is proud to be an integral part of the three institutes and its research teams, which seamlessly interact with 168 DWL-8610AP Wireless Access Points and Redundant DWC-2000 Wireless Controllers through a fully redundant 10GE D-Link core network, backed up (24x7x365) by D-Link Assist Service to guarantee the continuous high availability of their daily operation. ■

## Gottlieb Daimler School

The 2000 pupils who attend Gottlieb-Daimler-School (GDS1) in Sindelfingen, were when the school introduced a new Wi-Fi solution for pupils and staff to access educational resources using any personal computing device. Though the school already had a large network, it had been experiencing problems and bottleneck issues due to restricted network connectivity, limited bandwidth (due to 1Gbit/s uplink speeds) and inconsistent Access Point deployments, making the modernisation of the school's 1980's phone system impossible.

Thanks to Baden-Wuerttemberg school district's funding, Gottlieb-Daimler-School was able to realise its goal to encourage the use of tablets in vocational secondary schools, and multi-stream programs. The requirement of intensive tablet usage in the classroom (32 tablets per class) placed serious demands on the school's wireless and network infrastructure. Baden-Wuerttemberg greenlighted the re-cabling of the two main buildings and the construction of a future-proof campus network.

For the project, Conetis GmbH (a Gold D-Link VIP+ Partner) had proposed a new network, comprised entirely of switches and wireless access points manufactured by D-Link. This single vendor strategy enabled Conetis GmbH to score highly in the selection process because of the excellent technical functionality and price-performance ratio of the D-Link products.

During the summer holidays whilst the hallways were empty, the new network

cabling was laid. Approximately 500 new copper network cable lines were run around the school, in ceilings, in and through 20cm thick walls and terminated in two new purpose built electrical distribution rooms. Switches and access points (APs) were installed towards the end of the summer holidays. Phase 1 of this installation involved distributing a total of 45 DWL-8610APs throughout the school's two main buildings. The APs are managed and controlled centrally by a redundant pair of DWC-2000 Wi-Fi controllers. In each of the two building's distributor rooms, a stack of four DGS-3420 series Gigabit Layer 2+ managed switches were installed, with each of those stacks having a redundant 10Gb uplink connection to the central campus backbone. The backbone itself, in turn, comprised of a stack of two redundant DXS-3600-32 series 10 Gigabit Layer 3 Managed Switches. All the key switching infrastructure (backbone, PoE/VoIP) also had redundant power supplies / supply cables as well as a UPS system to provide resiliency.

Dirk Riebesell, the corporate IT manager, expressed satisfaction with the launch: "This was a highly complex project, and we had a wide range of requirements to accommodate. Thanks to D-Link's components and our collaboration with Conetis, we succeeded wonderfully." The next step will be to continuously expand the network's range of applications. Thanks to foresight in project planning and consistent project realisation, Gottlieb-Daimler-School 1 is now exceptionally well prepared to implement its new digital learning concepts. ■



◀  
D-Link's DWC-2000  
Unified Wireless  
Controller is a  
cost-effective wireless  
management solution  
suitable for large  
Access Point  
deployments.





to edge computing solutions. Edge cloud solutions support mobile operators and other industry professionals in providing unparalleled internet experiences to consumers. Service is more effective, sharing files and information is faster, and high-quality multimedia files have high-capacity, ultra-fast transmission and more powerful mobility. The innovative integration of 4G LTE and D-Link's cloud service allows for high-quality mobile internet freedom and entertainment from anywhere, at any time.

Digital home appliances, including voice, music, photo, video, sensor, and other multimedia applications, offer home entertainment and other smart home needs such as security monitoring and safety for the family. These products include IP cameras, smart plugs, sensors, gateways, and others. Cloud application solutions and other general networking equipment on the market only fulfill basic networking needs. However, the D-Link cloud integrates all networking devices.

The revolutionary cloud series was launched at the end of 2011, integrating cloud with the mydlink platform and transforming networking products into an upgraded realm of application services. The D-Link cloud was a giant step forward, allowing D-Link to be at the forefront of the networking cloud industry. Through the mydlink Cloud, users can enjoy features such as notifications, monitoring, control, access, and sharing. The mydlink platform enables users to control and monitor their smart home remotely and watch over their loved ones.

**D-Link's mydlink Smart Home platform, cloud, and products have currently accumulated 4 million users, and D-Link plans to utilize this basis to provide customers with the best application services.**

Being able to satisfy the diverse needs of every person on an everyday basis, D-Link's mydlink Cloud is truly innovative.

D-Link's value-added cloud service that leads the market and other innovative, forward-looking products make D-Link stand apart. Complete product lines and comprehensive networking solutions are irreplaceable core strengths. With the world's broadest distribution, D-Link also has the advantages of real-time localization services and customization. New IP cameras and 11ac technology have gradually taken the lead in the global market for digital cameras, helping D-Link to become consumers' number one brand. D-Link strives to combine its cloud and networking products with first class companies such as Apple and Google so that more Connected Home products are provided to consumers. ■

# Consumer Solution

D-Link's revolutionary innovations are raising the value of its products and securing its role as a trend leader in the cloud networking market.

For the past 30 years, D-Link has led the industry as a role model for other brands, focusing on innovation and quality. Wi-Fi technology plays a key role in Smart Home applications. D-Link offers the ideal Whole Home Wi-Fi system to stretch the Wireless signal to all corners of the entire house for seamless connectivity and no dead zones. This is important for setting up a Smart Home environment. Currently, the key eco systems for Smart Home are Amazon Alexa, the Google Assistant, HomeKit and IFTTT. We support all of these eco partners.

Furthermore, D-Link officially launched the new mydlink™ service at CES 2017. The new mydlink service supports the best experiences for Smart Home applications. Users can enjoy free cloud recording or subscribe to a recording program for more services. The new mydlink also supports interactions between devices, even without internet access.

In recent years, the IP camera market has grown in advanced countries due to increased lens resolutions and reasonable prices. Handheld smart devices and various cloud application services prospered. Furthermore, the market demand for annual compound growth rate remained high because security monitoring needs and awareness increased, along with other factors. Additionally, the overall household market penetration remained low, which means substantial growth potential in the future. In the enterprise industry, although the safety control equipment market met high price competition, home care and remote surveillance monitoring were still the mainstream trends. With the integration of cloud applications and increasingly widespread 4G LTE in developing countries, it is estimated that development will continue to grow exponentially for the next few years. Digital cameras and IoT sensors may become the next wave of universally accepted household appliances. Although currently sales performance is poor, there is great potential for exponential growth.

D-Link's security monitoring solution integrates existing Switch, Storage, Software, and Service, with Surveillance as its core, to provide a comprehensive service for customers. When purchasing IP surveillance equipment, customers face complications with product selection, complex terminology, technical difficulties, and other third-party factors. During product set up, they often encounter conflicts with existing network infrastructure and sometimes have to spend time dealing with compatibility and system integration issues. D-Link's security monitoring solution is a complete solution, making it more convenient and simpler in terms of product selection, procurement, and utilization. This saves time and cost and eliminates compatibility issues.

D-Link's mobile technologies have evolved from 4G to 4.5G and moved forward

## ECO PARTNERS









# CLOUD RECORDING



D-Link





► The DCS-8000LH Mini HD Wi-Fi Camera boasts a 120° lens that easily captures your entire room in high-resolution 720p. The built-in night vision, motion and sound detection, and handy mobile app empower you with knowing exactly what is happening anywhere, anytime.

Letter to Shareholders  
Financial Highlights  
Globalization  
International Offices  
Southeast Asia  
India  
North America  
Europe  
◦ **Consumer Solution**  
Business Solution  
Service Provider  
CSR  
Board Members





To strengthen our Wi-Fi hot spot solution, the new 802.11ac outdoor AP DWL-8710 provided higher speed and more reliable Wi-Fi signal for open areas. On the other hand, D-Link also continued to improve our “Bring Your Own Device” (BYOD) solution by introducing the new DUA-2000 access policy server. By centralizing the management of all devices and user accounts, D-Link helped customers extend their scale of BYOD service.

**D-Link also continued to improve our “Bring Your Own Device” (BYOD) solution by introducing the new DUA-2000 access policy server. By centralizing the management of all devices and user accounts, D-Link helped customers extend their scale of BYOD service.**

D-Link has served business enterprises for decades. To give our customers faster service, D-Link continuously invests in new technologies and raised our self-development product ratio in recent years. We have always believed in the value of building an affordable network and helping people solve their problems. D-Link's value-added products extend across all areas of the business networking infrastructure, designed to meet the ever-evolving needs of businesses worldwide, and designating us as a state of the art, end-to-end solution provider. ■

▼ The DWL-8710AP is an outdoor dual-band Wireless AC1200 Access Point designed specifically for deployment in business and campus environments. Highly manageable and capable of blazing speeds, the DWL-8710AP integrates seamlessly into an existing network infrastructure and can be easily scaled to meet future demands.



# Business Solution

Cloud application and Internet of Things have deeply impacted the whole IT industry. In 2017 D-Link provided cost effective solutions to meet market demands and help customers build highly efficient, reliable networks to support their businesses.

D-Link continued to enhance our portfolio of data center switches in 2017. The 5000 series provides up to 6.4Tbps switching capacity with very low latency. It complies with Open Network Install Environment (ONIE) which allows data center owners to plan their software investment according to their business growth. The 5000 series also provides a robust, redundant hardware design, which guarantees that customer service won't be impacted by any single point failure. To meet the rising demand of data centers for SMB/SMEs, D-Link also provided the cost effective DXS-1100 and DXS-1210 series which remove all overdesigned components while keeping the same performance to help customers upgrade their servers at an affordable price level.

More and more powerful data centers were deployed in 2017. The whole industry focused on building faster, reliable network infrastructures to make Internet of Thing (IoT) and big data computing possible. Keeping up with the industry movement, D-Link also launched our industrial switch product family – the DIS series. The special hardware design and various industrial certifications allow the DIS family to fit into the most extreme environments, helping customers build next generation applications such as smart city, safe city and industry 4.0. In 2017, D-Link launched our latest generation biz cams. These surveillance cameras offers IVA features, which greatly increase the accuracy of human and movement detection and bring intrusion detection to another level with facial recognition.

SMBs and chain stores increasingly lacked dedicated IT resources for networking. Businesses were more willing to look for Managed Service Providers to solve their problems by providing guest Wi-Fi to customers and managing their network environment. With multi-tenant architecture, D-Link's business cloud solution provides a perfect platform for service providers to attach their B2B services for these customers. The zero-touch provisioning and central management functions significantly reduced the maintenance cost for service providers. With the proven success in the largest ISP in Japan, D-Link continuously expanded our business cloud solution by adopting various product lines and introducing more features.

Moving toward the next generation in business Wi-Fi solutions, D-Link introduced new 802.11ac wave 2 indoor access points with cutting edge smart antenna technology. D-Link Smart Antenna provides an optimal wireless communication transmission experience with a revolutionary adaptive antenna technology that can vastly improve performance and reduce effects of interference. The reception stability of wireless clients is also ensured and optimized.

◀ The 5000 Series Data Center Switches form a flexible, long-term solution for managing and expanding data center infrastructures. With high port density, routing, and ultra-low latency, they are perfect for deployment as Top-of-Rack (ToR) or leaf-spine switches in data center applications.



5 0 0 0   S E R I E S

- Letter to Shareholders
- Financial Highlights
- Globalization
- International Offices
- Southeast Asia
- India
- North America
- Europe
- Consumer Solution
- Business Solution
- Service Provider
- CSR
- Board Members



# Service Provider

As the IoT industry continues to develop and expand, the vision of a “smart city” is increasingly achievable. D-Link is an experienced leader in LTE and IoT development, with customizable solutions for a more connected city that enables a better quality of life.

## Connectivity & Surveillance

High speed network communications and surveillance systems are key in developing high quality urban cities. D-Link LTE hotspots and bridges provide connectivity that allows the community to effectively access information and entertainment sources, while surveillance cameras with smooth video streaming make everyday life safer.

## Monitored Environment

D-Link utilizes LoRa technology, a low-power wide-area network, for monitoring the environment in facilities such as campuses, hospitals, factories, and farms. LoRa provides better safety measures and efficient use of resources with the ability to track, monitor, and control environmental factors such as temperature, CO2 emissions, and energy.

## Connected Vehicles

Portable Wi-Fi devices and in-vehicle hotspots provide on the go utilities whenever and wherever you need. D-Link’s technologies can work together with in-vehicle network cameras and GPS trackers to monitor and report driver and passenger behavior, enabling safer transportation.

## Superfast 4G+ LTE

Superfast mobile broadband speeds while on the go – 4G+ LTE – is where D-Link leads once more. CAT6 300 Mbps mobile Internet is just the beginning – the latest CAT12 supports download speeds of up to 600 Mbps, providing incredible high-speed mobile Internet access wherever you are, whether at home or on the go. File access from anywhere via the Cloud makes life simpler and more convenient. D-Link’s 4G+ LTE advanced solutions support LTE CAT9~12 for high speed mobile Internet access.

## Hybrid Solution

The amount of content on the Internet has increased dramatically in recent times, resulting in a demand for faster bandwidths. Hybrid DSL+LTE routers allow you to combine 4G LTE mobile Internet with fixed line DSL broadband to give you even faster Internet speeds. Referred to as the “fourth utility,” a fast, reliable Internet connection is often considered to be as basic a utility as water, gas, or electricity. With a Hybrid Solution, you can offer a failsafe Internet service that will continue to provide connectivity even if the LTE or DSL connections fail.

## Machine to Machine

Machine to Machine technology is an integral part of the Internet of Things. Collect data from remote sensors, keep assets connected without deploying new infrastructure, take payments from anywhere, or deploy networks in remote areas. Work smart with D-Link's M2M products. Blazing fast 4G LTE speeds give you the reliable, always-on connectivity you need for business in the digital age. ■

**D-Link has been using its vast technical experience and Cloud knowledge to lead the way in outdoor APS, small-cell coverage extension, in-vehicle LTE hotspots and direct-machine connection.**



## Smart City



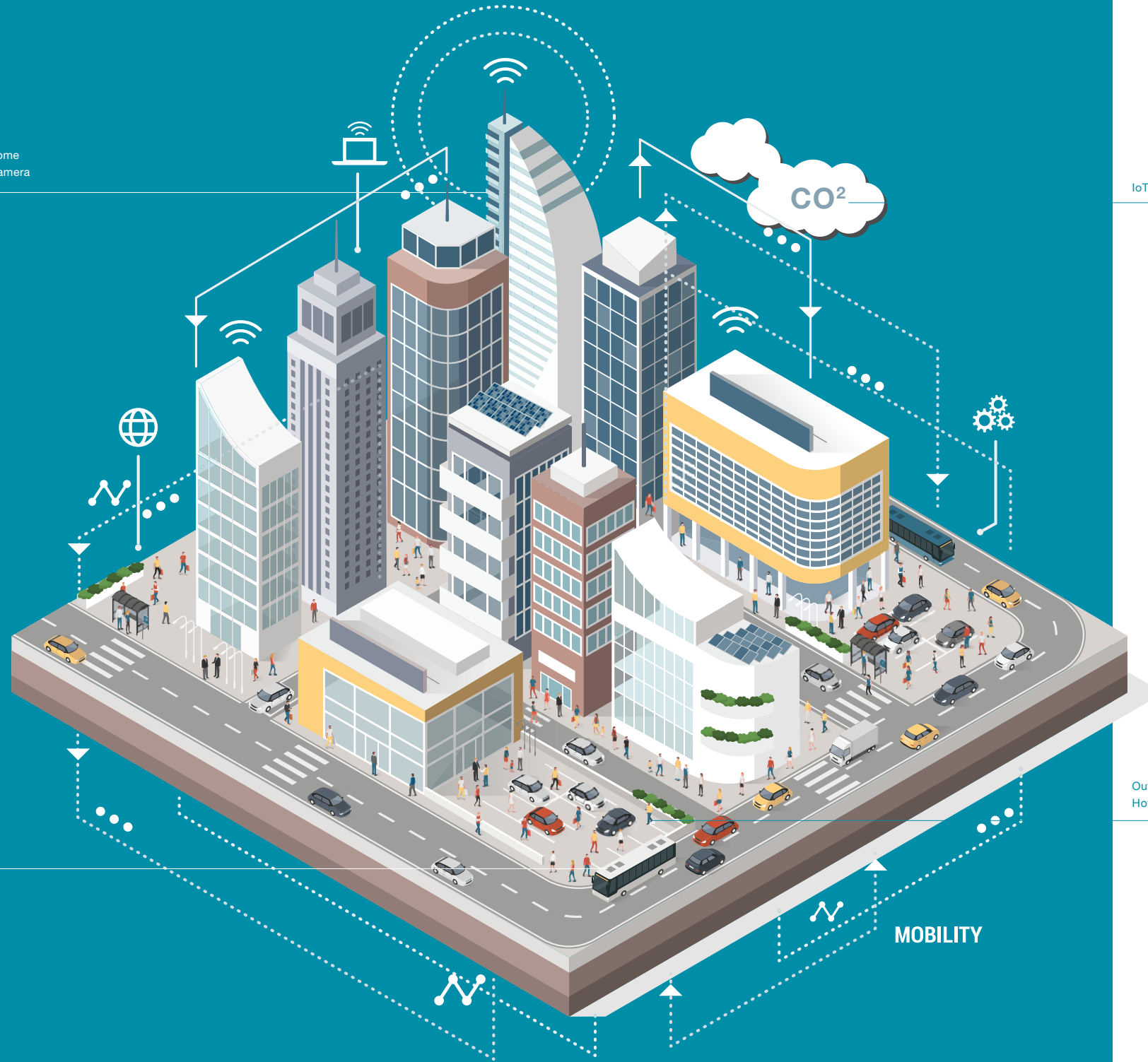
Outdoor Dome  
Network Camera

### Surveillance



In-Vehicle  
LTE Hotspot

### In-Vehicle Hotspot



IoT Gateway



### Monitored Enviroment

Outdoor LTE  
Hotspot



### Connectivity









and conducting trash sorting and recycling, conserving water by replacing all the taps with water-saving ones, and conserving electricity by replacing lighting in public and underground parking areas with energy-saving LED lights, suspending the operation of some elevators during off-peak hours, and putting drinking fountains on hold on holidays. Other similar measures are implemented to encourage the employees to reduce the use of disposable items so as to protect the environment and safeguard the Earth. In 2017, the Company had not been fined, nor received any notifications for improvement by local environmental protection authorities.

**Toxin-Free Raw Materials**

D-Link's products are made of/from safe and nontoxic raw materials, without containing lead, mercury, cadmium, or other hazardous substances.

**Input And Output of Energy And Water Resources**

D-Link records the use of electricity purchased externally and water resources through the disclosure of the input and output quantitative statistics of environmental information. The long-term records and disclosure of information will help us examine whether our eco-friendly measures have achieved the set targets every year.

**Green Packaging**

We always put packaging materials to the best use. D-Link has been seeking smarter ways to make product packaging more lightweight. Meanwhile, we continue developing new technologies, allowing the raw material resources used in packaging materials can be effectively utilized. We have launched a series of packaging reduction programs to effectively reduce the volume and weight of packaging materials in order to scale down the carbon footprint generated by international shipping.

**Supplier Rights And Social Responsibility Practice**

Looking to the future, D-Link will be upholding the principle of business integrity and abiding by national laws and regulations, as well as working with its suppliers to enhance the awareness of social responsibility. Besides the general business activities and conditions set forth in the contract with the suppliers, D-Link will include the Supplier's Code of Conduct in the management process to require them to perform corporate social responsibility.

**Blood Donation From Colleagues**

D-Link responded to the Taiwan Blood Service Foundation and called on employees to make blood donation. In 2017, thanks to our 247 donors, 381 bags of blood were collected. This will not only help solve the blood shortage problem, but also contribute to the society, increase the body's metabolism and make the body healthier. ■



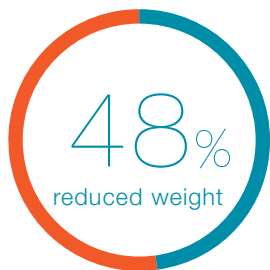
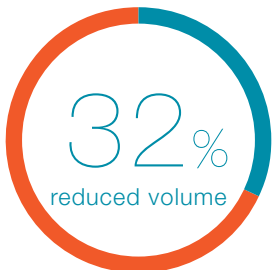
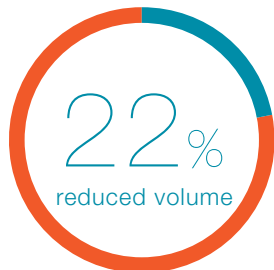
After improving the packaging design of D-Link's DSL-2500U/BRU, a popular product in Europe, the volume is reduced by up to 22%, equivalent to **ten 20-foot containers a year**.



The redesign of D-Link's inner box Type A has resulted in a **32% volume reduction and a 48% weight reduction**.



The redesign of packaging for D-Link's best-selling DIR-615 has **reduced 10 metric tons of plastic raw materials a year**.



# CSR

In everything we do, we strive to protect the natural environment, create a safe and sustainable work environment, and give back to local communities.

**Customer Privacy Management**

In 2014, we adopted the ISO 27001 Information Security Management System to ensure the stability, confidentiality, and usability of our global business operations, sales, accounting, and other information systems, as well as to minimize risks and establish preventive measures to make sure that our business runs in a sustainable manner.

**BSIMM (Building Security In Maturity Model)**

In response to the US Federal Trade Commission's (FTC) improvement measures for information security of products, D-Link implemented an improvement program in 2017 in line with the FTC orders and requirements. In August 2017, an external audit was completed by a third-party auditing agency Bureau Veritas.

**Ethical Management**

All employees are required to adhere to the highest standards of business ethics. Through an annual online survey system, employees are required to examine their colleagues' concept of integrity and practical results. Integrity is one of D-Link's core values and is the value and work attitude that our employees shall hold as well as their method and principle when carrying out their duties.

**Anti-Bribery Code Of Conduct**

The Company complies with all applicable anti-bribery laws. All employees are made aware that bribery is in violation of laws and are prohibited from engaging in any illegal or inappropriate behavior involving bribery, kickbacks, inappropriate rebates, or provision of gifts of cash or valuables to any other party in order to obtain or secure business favors related to D-Link's products or services.

**Fair Competition**

D-Link fully complies with all applicable business transaction laws and regulations, including the Fair Trade Act, anti-trust laws, and unfair competition laws. When competing for business opportunities, all of D-Link's employees are prohibited from manipulating, withholding, and abusing any information obtained in their course of work, and from making untruthful statements regarding important issues in order to obtain improper benefits.

**Environmental Management Policies And Guidelines**

Over the years, we have continually incorporated environmental protection measures in our routine operations as a citizen of the Earth. The Company's action plan includes reducing the use of paper with electronic-based operations, reducing waste by implementing waste management, not providing trash bins at each cubicle,

D-Link's Wireless 4G LTE Router  
A 23.47% Reduction of Electricity Consumption

The new generation C1 version of D-Link's Wireless 4G LTE Router 2017 features an electricity consumption reduction to 14.54W, saving 4.46W compared to the previous generation, a 23.47% reduction.



DWR-956  
/ OLD

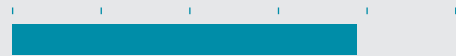


DWR-961  
/ NEW



DWR-956

19 / watt



DWR-961

14.54 / watt



D-Link's Layer 2 Gigabit DGS-1210-28  
A 20% reduction in electricity consumption

The electricity consumption of D-Link's new generation of intelligent network management switch Layer 2 Gigabit DGS-1210-28 has reduced to 18.84W, saving 5.1W compared to the previous generation, a 27% reduction in electricity consumption. Meanwhile, the new generation is equipped with combo ports, which is more optimized in the product specification than the previous generation. The energy consumption efficiency of the new generation is 85%, which is 5% higher than the previous generation.



DGS-1210-28 C1  
/ OLD



DGS-1210-28 F1  
/ NEW



DGS-1210-28 C1

23.94 / watt



DGS-1210-28 F1

18.84 / watt

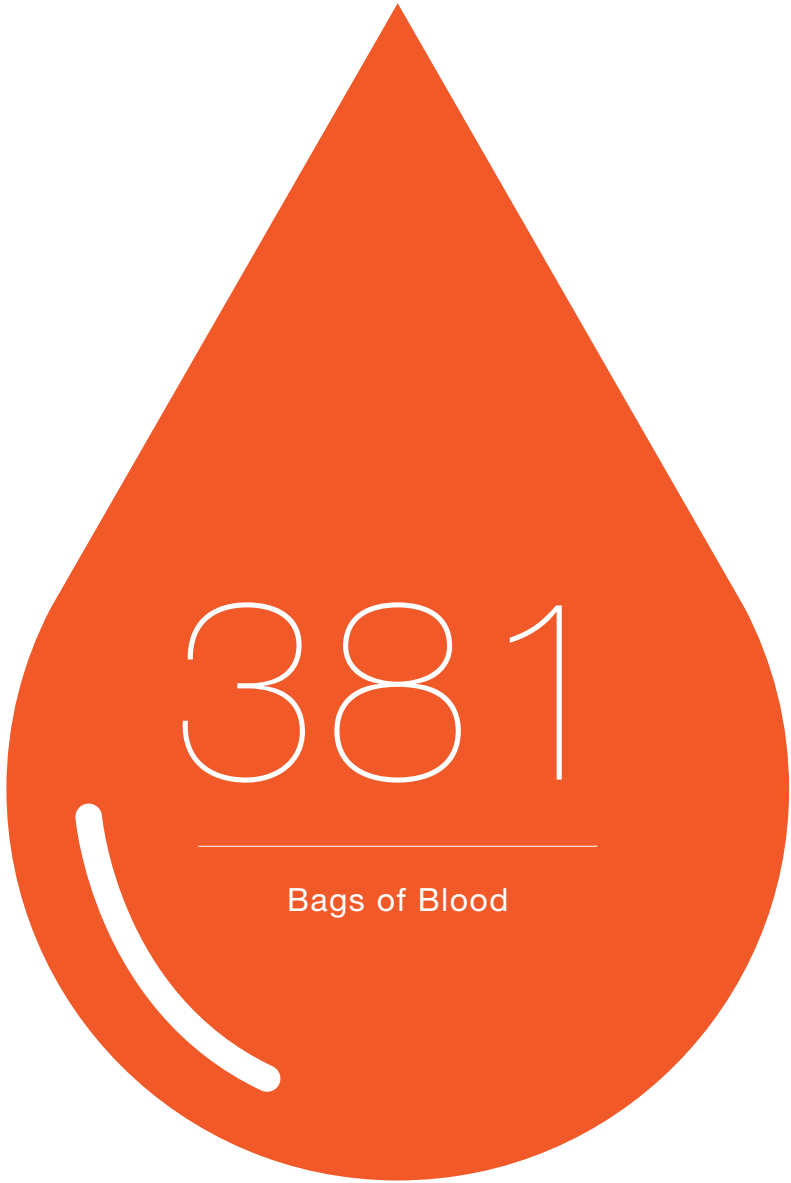






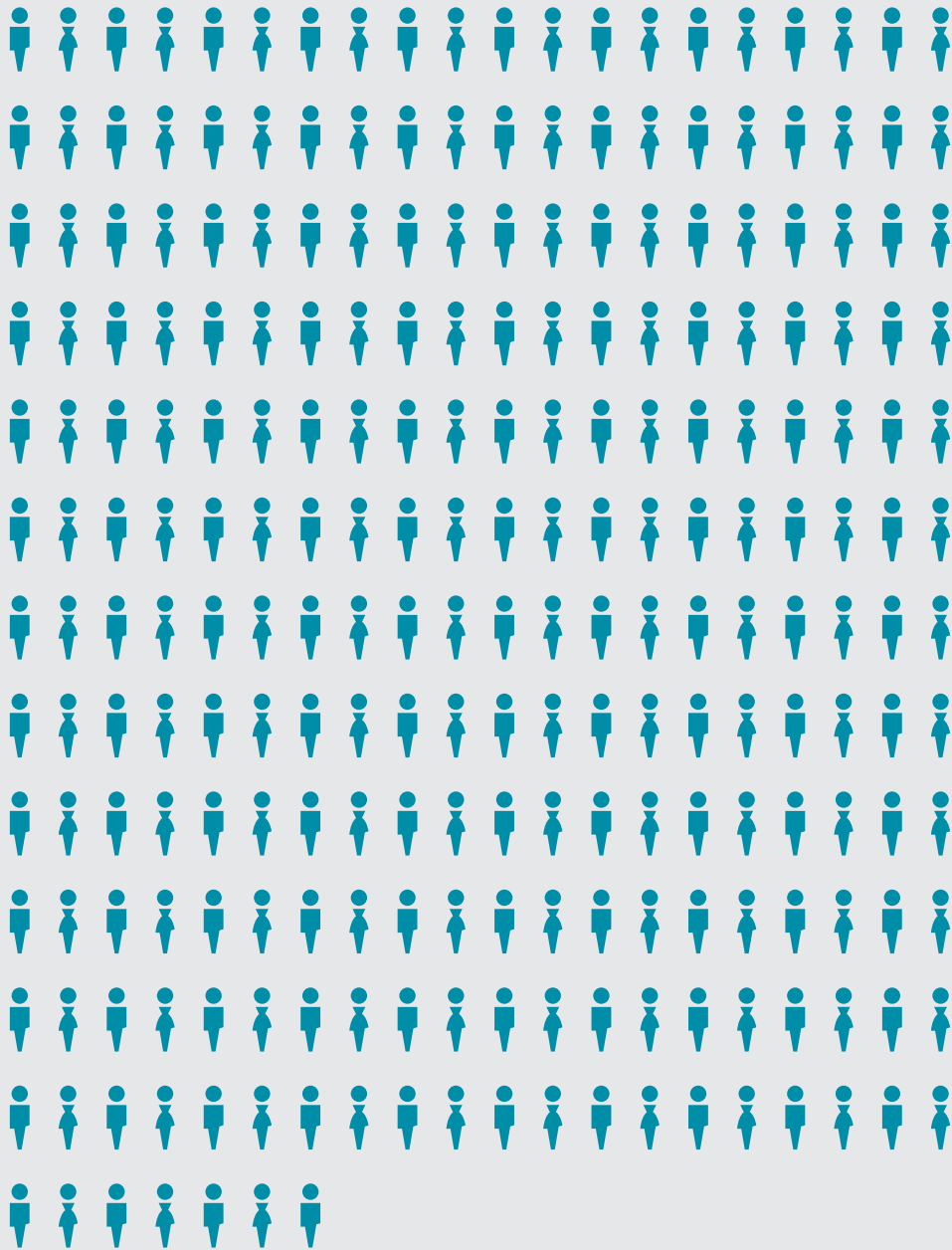
Climate change is a fact, and we have been exploring various ways in saving energy and reducing carbon emission.





247

D-Link Donors



# Board Members



**Lori Hu**

D-Link Chairman



**John Lee**

D-Link Vice Chairman

## DIRECTORS

Lori Hu

Chung Wang, Lee

Howard Kao

Yu Chin, Lin

Chung Hou, Tai

Douglas Hsiao

## DIRECTORS

Gao Ju Investment Co. Ltd.

—

Yun-Wei Investment Co., Ltd.

Alpha Networks Inc.

—

—

## INDEPENDENT DIRECTORS

Chung Perng, Fong

Shyang Fong, Chung

Tony Huang

## CORPORATE HEADQUARTERS

No. 289, Xinhua 3rd Road, Neihu District,  
Taipei City 114, Taiwan

T 886-2-6600-0123

F 886-2-2790-0977

## TRANSFER AGENT

China Trust Commercial Bank 5F, No. 83,  
Sec. 1, Chung-Ching South Road,  
Taipei, Taiwan

T 886-2-6636-5566

F 886-2-2311-6723

## INDEPENDENT AUDITOR

KPMG Certified Public Accountants 68F,  
Taipei 101 Tower No. 7, Sec. 5,  
Xinyi Road, Taipei, Taiwan

T 886-2-8101-6666

F 886-2-8101-6667

## INVESTOR RELATIONS

No. 289, Xinhua 3rd Road, Neihu District,  
Taipei City 114, Taiwan

T 886-2-6600-0123

F 886-2-2790-0977

[ir.dlink.com.tw](http://ir.dlink.com.tw)

**D-Link<sup>®</sup>**



# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016  
(With Independent Auditors' Report Thereon)

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

STOCK CODE : 2332

The auditors' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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, 2017, 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 Accounting Standards No. 10, "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. ■

Very truly yours,

**Hu, Xue**  
**Gao Ju Investment Co. Ltd**

Taipei, Taiwan, R.O.C  
March 19, 2018

# Representa- tion Letter

—

# 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 (“the Consolidated Company”), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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 the Consolidated Company as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 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”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Consolidated Company 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. We believe that the audit evidence we have obtained, inclusive of the report from another auditor, 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 Consolidated Company. 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 as of December 31, 2017 and 2016, respectively, and the total revenues constituting 9% and 10% of the consolidated total revenues for the years ended December 31, 2017 and 2016, respectively. Furthermore, we did not audit the financial statements of Bothhand Enterprise Inc., an investment accounted for using the equity method. 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 Bothhand Enterprise Inc., is based solely on the report of another auditor. The investment amounted to \$103,309 thousand and \$126,655 thousand, constituting 1% of the consolidated total assets as of December 31, 2017 and 2016, respectively, and the related share of profit of associate accounted for using the equity method amounted to \$21,783 thousand and \$33,093 thousand, constituting (17)% and (4)% of the consolidated total loss before tax for the years ended December 31, 2017 and 2016, respectively.

D-LINK CORPORATION has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion.

### Key Audit Matters

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

#### 1. Valuation of inventories

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

##### Key Audit Matter Explanation:

Most inventories of the Consolidated Company are internet solution products, which are measured at the lower of cost or net realizable value. As a result of competitive and rapidly changing environment where the Consolidated Company is located in, its internet solution products may become out-of-date and can no longer meet the market 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 and analyzed the inventory turnovers and changes in its aging inventory for each period 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, we checked the sale prices on the invoices, and analyzed the selling expense rate to evaluate the reasonableness. Furthermore, we reviewed the subsequent sales performance to assess 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(d) 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. 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 as well as analyzed and compared the change in credit rating and aging analysis of the Consolidated Company’ s counterparties. Furthermore, for overdue account receivables that are material to the account balance, we reviewed the cause and assessed the reasonableness for their overdue in order to evaluate the appropriateness of the valuation of allowance for doubtful account. We also assessed the appropriateness of the Consolidated Company’ s relevant disclosure of account receivables.

3. Revenue recognition

Please refer to Note 4(r) for accounting policy of revenue recognition and Note 6(s) 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 the annual sales trend 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 the Consolidated Company’ 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 the Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Company’s 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:

- 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.
1. 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 the Consolidated Company’s internal control.
  2. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  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 the Consolidated Company’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 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 the Consolidated Company 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

**Notes to Readers**  
The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 auditors’ 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 auditors’ report and consolidated financial statements, the Chinese version shall prevail

CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION

December 31, 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars)

		DECEMBER 31, 2017		DECEMBER 31, 2016	
ASSETS		AMOUNT	%	AMOUNT	%
CURRENT ASSETS:					
1100	Cash and cash equivalents (note 6(a))	\$ 3,705,869	22	4,314,246	22
1110	Financial assets at fair value through profit or loss current (note 6(b) and (n))	5,235	-	35,660	-
1135	Derivative financial instruments used for hedging current (note 6(c))	1,109	-	-	-
1150	Notes receivable, net (note 6(d))	33,546	-	33,671	-
1170	Accounts receivable, net (note 6(d))	4,164,910	24	4,630,069	24
1180	Accounts receivable due from related parties, net (note 7)	478	-	161	-
1200	Other receivables (notes 6(d) and 7)	92,198	1	131,835	1
1220	Current tax assets	39,410	-	85,962	-
130X	Inventories (note 6(e))	3,190,391	19	3,096,816	16
1470	Other current assets (notes 7 and 8)	351,298	2	700,563	4
		11,584,444	68	13,028,983	67
NON-CURRENT ASSETS:					
1523	Available-for-sale financial assets non-current (note 6(b))	468,934	3	377,642	2
1543	Financial assets carried at cost (note 6(b))	6,712	-	7,088	-
1550	Investments accounted for using equity method (note 6(f))	2,409,839	14	3,118,050	16
1600	Property, plant and equipment (note 6(h))	1,212,232	7	1,271,706	7
1760	Investment property, net (note 6(i))	40,462	-	40,858	-
1780	Intangible assets (note 6 (j))	603,109	4	672,010	3
1840	Deferred tax assets (note 6(p))	590,943	2	568,575	3
1900	Other non-current assets (note 8)	287,687	2	305,984	2
		\$ 5,619,918	32	6,361,913	33
TOTAL ASSETS		\$ 17,204,362	100	\$ 19,390,896	100

\*See accompanying notes to consolidated financial statement.

		DECEMBER 31, 2017		DECEMBER 31, 2016	
LIABILITIES AND EQUITY		AMOUNT	%	AMOUNT	%
CURRENT ASSETS:					
2100	Short-term loans (note 6(k))	\$ 1,250,000	7	1,279,500	7
2120	Financial liabilities at fair value through profit or loss current (notes 6(b) and (m))	91,974	1	93,639	-
2150	Notes payable	642	-	1,770	-
2170	Accounts payable	1,857,824	11	2,034,685	10
2180	Accounts payable to related parties (note 7)	1,495,734	9	1,830,568	9
2200	Other payables (note 7)	1,827,208	11	1,937,213	10
2230	Current tax liabilities	54,320	-	190,011	1
2250	Provisions current (note 6(l))	283,745	2	301,748	2
2300	Other current liabilities (note 6(m))	545,371	3	159,237	1
2320	Current portion of long-term liabilities (note 6(k) and (m))	-	-	1,294,993	7
		7,406,818	44	9,123,364	47
NON-CURRENT LIABILITIES:					
2570	Deferred tax liabilities (note 6(p))	14,990	-	12,526	-
2600	Other non-current liabilities (note 6(o) and 7)	374,784	2	324,416	2
		389,774	2	336,942	2
TOTAL LIABILITIES		7,796,592	46	9,460,306	49
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT: (note 6(q))					
Share capital:			38		33
3110	Ordinary shares	6,519,961	9	6,519,961	9
3200	Capital surplus (note 6(q))	1,588,696		1,736,948	
Retained earnings:					
2210	Legal reserve	2,107,941	12	2,296,499	12
3320	Special reserve	-	-	678,133	3
3350	Accumulated deficit	(203,814)	(1)	(866,691)	(4)
		1,904,127	11	2,107,941	11
3400	Other equity interest	(992,808)	(6)	(768,699)	(4)
3500	Treasury stocks	(17,912)	-	(96,855)	-
36XX	Non-controlling interests (note 6(q))	405,706	2	431,294	2
TOTAL EQUITY		\$ 9,407,770	54	9,930,590	51
TOTAL LIABILITIES AND EQUITY		\$ 17,204,362	100	\$ 19,390,896	100



CONSOLIDATED STATEMENTS  
OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars)

		2017		2016	
LIABILITIES AND EQUITY		AMOUNT	%	AMOUNT	%
4000	NET OPERATING REVENUES (NOTES 6(S) AND 7)				
5000	OPERATING COSTS (NOTES 6(E), (O) AND 7)	\$ 14,117,325 73	73	16,904,835	74
	GROSS PROFIT FROM OPERATIONS	5,198,754 27	27	6,016,963	26
	OPERATING EXPENSES:(NOTES 6(D), (N) AND (O))				
6100	Selling expenses	3,744,474 19	19	4,224,098	18
6200	Administrative expenses	1,012,262 5	5	1,410,954	6
6300	Research and development expenses	899,708 5	5	1,237,276	5
	OPERATING LOSS	(457,690) (2)	(2)	(855,365)	(3)
7010	NON-OPERATING INCOME AND EXPENSES:				
7020	Other income (notes 6(n), (u) and 7)	76,221	-	55,999	-
7050	Other gains and losses (note 6(b), (m), (v), (y) and 7)	74,692	-	(209,395)	(2)
7060	Finance costs (notes 6(m) and (w))	(22,394)	-	(33,450)	1
	Share of profit (loss) of associates accounted for using equity method (note 6(e))	203,943	1	252,837	1
		332,462	1	65,991	-
	LOSS BEFORE INCOME TAX	(125,228)	(1)	(789,374)	(3)
7950	LESS: INCOME TAX EXPENSE (NOTE 6(P))	(46,854)	-	(120,292)	(1)
	NET LOSS	(172,082)	(1)	(909,666)	(4)
8300	OTHER COMPREHENSIVE INCOME:				
8310	ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
8311	Remeasurement of defined benefit obligation (note 6(o))	(217)	-	(12,207)	-
8320	Share of other comprehensive (income) loss of associate	8,607	-	1,781	-
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	-	-	-	-
		8,390	-	(10,426)	-
8360	ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS (NOTE 6(X))				
8361	Exchange differences arising on translation of foreign operations	(384,536)	(2)	(30,627)	-
8362	Changes in fair value of available-for-sale financial assets	124,127	1	35,242	-
8363	Effective portion of cash flow hedge gains and losses	1,109	-	-	-
8370	Share of other comprehensive (income) loss of associates	(37,017)	-	(116,395)	-
8399	Income tax expense related to items that may be reclassified subsequently	62,999	-	1,956	-
		(233,318)	(1)	(109,824)	-
8300	OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX	(224,928)	(1)	(120,250)	-
	TOTAL COMPREHENSIVE INCOME (LOSS)	(397,010)	(1)	(1,029,916)	(4)
	NET INCOME (LOSS) ATTRIBUTABLE TO:		(2)		
	Owners of the parent	(193,451)	(1)	(953,572)	(4)
	Non-controlling interests	21,369	-	43,906	-
		(172,082)	(1)	(909,666)	(4)
	TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
	Owners of the parent	(409,170)	(2)	(1,054,565)	(4)
	Non-controlling interests	12,160	-	24,649	-
	BASIC LOSSES PER SHARE (NEW TAIWAN DOLLARS)(NOTE 6(R))	\$ (397,010)	(2)	(1,029,916)	(4)
			(0.30)		(1.50)

CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars)

EQUITY ATTRIBUTABLE TO OWNERS OF PARENT														



CONSOLIDATED STATEMENT  
OF CASH FLOWS

For the years ended December 31, 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
LOSS BEFORE TAX	(125,228)	(789,374)
ADJUSTMENTS FOR :		
Adjustments to reconcile profit (loss)		
Depreciation expense	137,202	144,532
Amortization expense	45,373	51,058
Provision for bad debt expense	70,830	31,415
Net gain on financial assets or liabilities at fair	146,185	47,148
Interest expense	22,394	33,450
Interest income	(45,581)	(41,220)
Dividend income	(28,190)	(12,321)
Compensation cost of share-based payment transaction	9,996	21,946
Share of profit of associates accounted for using	(203,943)	(252,837)
Gain on disposal of investments	(264,607)	(71,997)
Impairment loss	148	79,414
Others	(202,657)	(66,640)
Total adjustments to reconcile profit (loss)	(312,850)	(36,052)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Changes in operating assets		
Decrease in financial assets at fair value		
Decrease (increase) in notes receivable	19,625	33,089
Decrease in accounts receivable	125	(11,172)
Increase in accounts receivable due from	408,064	284,516
Decrease in other receivable	(317)	(65)
Decrease in inventories	40,229	34,353
Decrease (increase) in other current assets	144,641	1,560,080
Decrease in other non-current assets	350,538	(5,695)
Total changes in operating assets	20,945	129,501
	983,850	2,024,607
CHANGES IN OPERATING LIABILITIES:		
Decrease in notes payable	(1,128)	(63)
Decrease in accounts payable	(176,861)	(360,831)
Decrease in accounts payable to related parties	(334,834)	(307,582)
Decrease in other payable	(110,005)	(217,671)
Decrease in provisions	(27,841)	(29,451)
Decrease (increase) in other current liabilities	(12,292)	58,581
Increase in other non-current liabilities	36,407	200,471
Total changes in operating liabilities	(626,554)	(656,546)
Total changes in operating assets and liabilities	357,296	1,368,061
	44,446	1,332,009
Cash inflow generated from operations	(80,782)	542,635
Interest received	45,581	104,903
Dividends received	172,010	118,957
Interest paid	(10,237)	-
Income taxes paid	(92,898)	(75,892)
Net cash flows generated by operating activities	33,674	690,603
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from capital reduction of financial assets carried at cost and investments accounted for using equity method	250	21,093
Disposal of available-for-sale financial assets	67,232	-
Disposal of investments accounted for using equity method	56,174	129,194
Acquisition of property, plant and equipment	(95,572)	(120,645)
Proceeds from disposal of property, plant and equipment	2,985	-
Increase in refundable deposits	(2,569)	(18,896)
Acquisition of intangible assets	(6,052)	(20,573)
Others	(1,352)	22,725
Net cash flows generated by investing activities	21,096	12,898
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term loans	(179,500)	(168,430)
Increase (decrease) in guarantee deposits received	13,744	(1,517)
Cash dividends paid	(192,607)	(189,841)
Treasury shares sold to employees	78,994	89,628
Change in non-controlling interests	(4,152)	(5,857)
Net cash flows used in financing activities	(283,521)	(276,017)
Effect of exchange rate changes on cash and cash equivalents	(379,626)	(30,627)
Net (decrease) increase in cash and cash equivalents	(608,377)	396,857
Cash and cash equivalents at beginning of year	4,314,246	3,917,389
Cash and cash equivalents at end of year	3,705,869	4,314,246

# Notes to the consolidated financial statements

## 1 / Company history

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

## 2 / Authorization date and process of Financial statements

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on March 19, 2018.

## 3 / New standards and interpretations adopted :

The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been 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, 2017:

( 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, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

( a ) NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS	EFFECTIVE DATE PER IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

( b ) NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS	EFFECTIVE DATE PER IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

### 1 ) Classification—Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured

- 01 / Company history
- 02 / Authorization date and process of Financial statements
- 03 / New standards and interpretations adopted :
- 04 / significant accounting policies
- 05 / Significant accounting judgments, estimations, assumptions, and sources of estimation uncertainty
- 06 / Explanation of significant accounts
- 07 / Related-party transactions
- 08 / Pledged assets
- 09 / Commitments and contingencies
- 10 / Losses due to major disasters: None.
- 11 / Subsequent events
- 12 / Other information
- 13 / Segment information

- ( i ) IFRS 9 "Financial Instruments"
- ( ii ) IFRS 15 Revenue from Contracts with Customers
- ( iii ) Amendments to IAS 7 "Disclosure Initiative"
- ( iv ) Amendments to IAS 12 "Recognition of Deferred



at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Consolidated Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Consolidated Company had equity investments classified as available-for-sale with a fair value of 468,934 thousand and financial assets measured at cost of 6,712 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Consolidated Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Consolidated Company estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of 226,054 thousand in the other equity interest as well as the increase of 226,054 thousand in retained earnings.

## 2 ) Impairment of Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Consolidated Company assessed the application of IFRS 9's impairment requirements would not have any material impact.

## 3 ) Hedge accounting

When initially applying IFRS 9, the Consolidated Company may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Consolidated Company has chosen to apply the new requirements of IFRS 9.

IFRS 9 requires the Consolidated Company to ensure that hedge accounting relationships are aligned with the Consolidated Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk

management strategies, particularly those involving hedging a risk component of a non-financial item, will be likely to qualify for hedge accounting. The Consolidated Company does not currently undertake hedges of such risk components.

The Consolidated Company uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Consolidated Company designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. Under IAS 39, the change in fair value of the forward element of the forward exchange contracts is recognized immediately in profit or loss. On adoption of IFRS 9, the Consolidated Company has elected to separately account for the forward points as a cost of hedging. Consequently, the changes in forward points will be recognized in OCI and accumulated in a cost of hedging reserve as a separate component within equity and accounted for subsequently like gains and losses accumulated in the cash flow hedge reserve.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognized. The types of hedge accounting relationships that the Consolidated Company currently designates meet the requirements of IFRS 9 and are aligned with the entity's risk management strategy and objective.

## 4 ) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Consolidated Company's assessment included an analysis to identify data gaps against current processes and the Consolidated Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

## 5 ) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Consolidated Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.
- The new hedge accounting requirements should generally be applied prospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - » The determination of the business model within which a financial asset is held.
  - » The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - » The designation of certain investments in equity instruments not held for trading as at FVOCI.

( ii ) IFRS 15 Revenue from Contracts with Customers

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1 ) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the goods are delivered to the customers’ premises.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Consolidated Company is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2 ) Transition

The Consolidated Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Consolidated Company assessed the application of IFRS 15’s would not have any material impact.

( iii ) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Consolidated Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

( iv ) Amendments to IAS 12 "Recognition of Deferred

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Consolidated Company assessed the application of the amendments would not have any material impact.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- ( 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 IASB, but not yet endorsed by the FSC:

As of the date the following IFRSs that have been issued by the IASB, but not yet 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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
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 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

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

Issuance / Release	Dates	Standards or Interpretations	Content of ameandment
January 13, 2016		IFRS 16 "Leases"	<div>The new standard of accounting for lease is amended as follows:</div> <div><div><div></div></div><div>For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.</div><div></div><div>A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</div></div>

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

4

/ 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.

1 ) Basis of Measurement

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

- Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Equity-settled share-based payment are measured at fair value;

- Statement of Compliance
- Basis of Preparation
- Basis of consolidation
- Business combination
- Foreign currency
- Classification of current and non-current assets and liabilities
- Cash and cash equivalents
- Financial Instruments
- Inventories
- Investment in associates
- Investment property
- Property, plant and equipment
- Leases
- Intangible assets
- Impairment – non-derivative financial assets
- Provisions
- Treasury stocks
- Revenue
- Employee benefits
- Share-based payment
- Income Taxes
- Earnings per share
- Operating segments



- The defined benefit liability is recognized as the present value of the defined benefit obligation, less the net value of pension plan assets;

2 )      **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.

( b )      **Basis of Preparation**

( c )      **Basis of consolidation**

- Principle of preparation of the consolidated financial statements  
The consolidated financial statements comprised of the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non- controlling interests in a subsidiary are allocated to the non- controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Intra-group balances, income and expenses should be eliminated in full in preparing the consolidated financial statements. 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.
- List of subsidiaries in the consolidated financial statements
- 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.

1 )      **Foreign currency transaction**

Transactions in foreign currencies are translated to the respective functional currencies of the Consolidated Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences are recognized in profit or loss, except for available-for-sale financial asset which are recognized in other comprehensive income.

2 )      **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.

( e )      **Foreign currency**

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

An entity shall classify an asset as current when:

- It is expected to be realized or intends to sell or consume it in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting date; or
- 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.

An entity shall classify all other assets as non-current. An entity shall classify a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve months after the reporting date; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

( g )      **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and all highly liquid investments subject to insignificant risk of changes in value.

A time deposit is qualified as a cash equivalent when it is held for the purpose of short-term cash commitments rather than for investment or other purposes.

( h )      **Financial Instruments**

Financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instruments.

1 )      **Financial assets**

The Consolidated Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, accounts receivables, available-for-sale financial assets and financial assets at cost value.

( i )      **Financial assets at fair value through profit or loss**

A financial asset is classified in this category if it is classified as held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the short term.

This type of financial asset is measured at fair value at the time of initial recognition, and the attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in non-operating income and expense, and are included in other profit and loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

List of subsidiaries

	NAME OF INVESTOR	NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	DECEMBER 31, 2017	DECEMBER 31, 2016	NOTES
01.	The Company	D-Link Holding Company Ltd. (D- Link Holding)	Holding company	100.00 %	100.00 %	
02.	The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after- sales service	100.00 %	100.00 %	
03.	The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after- sales service	100.00 %	100.00 %	
04.	The Company	D-Link Investment Pte. Ltd. (D-Link Investment)	Holding company	100.00 %	100.00 %	
05.	The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and aftersales service	100.00 %	100.00 %	
06.	The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and aftersales service	100.00 %	100.00 %	
07.	The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and aftersales service	100.00 %	100.00 %	
08.	The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and aftersales service	100.00 %	100.00 %	
09.	The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and aftersales service	100.00 %	97.76 %	Non-controlling interest decrease in July 2017
10.	The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	
11.	The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and aftersales service	100.00 %	100.00 %	
12.	The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and aftersales service	100.00 %	100.00 %	
13.	D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and aftersales service	100.00 %	100.00 %	
14.	D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and aftersales service	100.00 %	100.00 %	
15.	D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	
16.	D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and aftersales service	100.00 %	100.00 %	
17.	D-Link International	D-Link Service Lithuania, UAB (DLink Lithuania)	Marketing and aftersales service	100.00 %	—	Incorporated in December 2017
18.	The Company	Yeo-Chia Investment Ltd. (YEOCHIA)	Professional investment company	100.00 %	100.00 %	
19.	The Company	Yeo-Mao Investment Inc. (YEOMAO)	Professional investment company	100.00 %	100.00 %	
20.	The Company	Yeo-Tai Investment Inc. (YEOTAI)	Professional investment company	100.00 %	100.00 %	
21.	D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and aftersales service	100.00 %	100.00 %	
22.	D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (DLink Shiang-Hai (Cayman))	Holding company	100.00 %	100.00 %	
23.	D-Link Holding	D-Link Holding Mauritius Inc. (DLink Mauritius)	Holding company	100.00 %	100.00 %	
24.	D-Link Holding	D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
25.	D-Link Holding	D-Link Hong Kong Ltd. (D-Link Hong Kong)	Holding company	100.00 %	100.00 %	
26.	D-Link Investment and D-Link Holding	D-Link Trade (D-Link Trade)	Marketing and aftersales service	100.00 %	100.00 %	
27.	D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Holding company	100.00 %	100.00 %	
28.	D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research and development, marketing and aftersales service	100.00 %	100.00 %	
29.	D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and aftersales service	51.02 %	51.02 %	
30.	D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	
31.	D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Holding company	100.00 %	100.00 %	
32.	D-Link Europe	D-Link France SARL (D-Link France)	Marketing and aftersales service	100.00 %	100.00 %	
33.	D-Link Europe	D-Link AB	Marketing and aftersales service	100.00 %	100.00 %	
34.	D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and aftersales service	100.00 %	100.00 %	
35.	D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and aftersales service	100.00 %	100.00 %	
36.	D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and aftersales service	100.00 %	100.00 %	
37.	The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and aftersales service	100.00 %	100.00 %	
38.	D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and aftersales service	100.00 %	100.00 %	
39.	D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and aftersales service	100.00 %	100.00 %	
40.	D-Link Europe	D-Link s.r.o	Marketing and aftersales service	100.00 %	100.00 %	
41.	D-Link Europe	D-Link Adria d.o.o	Marketing and aftersales service	100.00 %	100.00 %	
42.	D-Link Shiang-Hai (Cayman)	D-Link (Shiang-hai) Co., Ltd (DCN)	Marketing and aftersales service	100.00 %	100.00 %	
43.	D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-hai) Co., Ltd (DWZ)	Marketing and aftersales service	100.00 %	100.00 %	
44.	D-Link Sudamerica and D-Link L.A.	D-Link del Ecuador S.A.	Marketing and aftersales service	100.00 %	100.00 %	
45.	D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and aftersales service	100.00 %	100.00 %	
46.	D-Link Sudamerica and D-Link L.A.	D-Link de Costa Rica S.A.	Marketing and aftersales service	—	—	Closed in December 2016.
47.	D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and aftersales service	100.00 %	100.00 %	
48.	D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and aftersales service	99.00 %	99.00 %	
49.	D-Link Sudamerica	D-Link Argentina S.A.	Marketing and aftersales service	100.00 %	100.00 %	



( ii ) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income are recognized in other comprehensive income and accumulated under unrealized gains (losses) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to non-operating income and expense, and is included in other profit and loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade- date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Consolidated Company receive dividend payment, which is normally the ex-dividend date and such dividend income is recognized as other income.

( iii ) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes receivables, account receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables.

( iv ) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Consolidated Company on terms that the Consolidated Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

Receivables are assessed by internal credit rating system whether the objective evidence of impairment exists individually for financial assets. If the Consolidated Company determines that the objective evidence of impairment exists for an individually assessed financial asset, then that will be individually assessed for impairment. If the Consolidated Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it should include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market

rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The initial recognition of impairment losses on available-for-sale equity security cannot be reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available- for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized as non-operating income and expenses in other gains and losses.

( v ) Derecognition of financial assets

The Consolidated Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity-unrealized gains or losses from available-for-sale financial assets is recognized in nonoperating income and expense, and included in other gains and losses.

2 ) Financial liabilities and equity instruments

( i ) Convertible corporate bonds

Convertible bonds issued by the Company create both a financial liability and options to convert to equity for holders are recorded as hybrid financial instruments. At the time of issuance, the original cost of issuance is allocated to both the liability and equity component of the convertible bond. The liability component of the convertible bond is determined by the fair value of similar liabilities which are unrelated to the equity component-stock option. Any change in fair value of the equity component of the convertible bonds is not recognized. The interest on the convertible bond is calculated by using the effective interest method and is amortized over the contract term and recorded as current expense. The embedded derivative financial liabilities are measured at fair value, and any changes are reflected in current profit or loss. When the bondholders request conversion, the Company will adjust the liability component first and recognize it as net income or loss after valuing at the fair value. The Company shall account for common stock as the sum of the carrying amount of the liability component and equity component at the redemption date.

The embedded call and sell options of the convertible corporate bonds shall be recorded under financial assets (liabilities) at fair value through profit or loss with their net amount. Then, at the balance date, they will be assessed at the current fair value, and the differences shall be recorded under valuation gain (loss) on financial instruments. At the end

of agree- upon sell back period, the fair value of the sell options shall be all transferred to capital surplus if the market price of the convertible common stock is higher than the agreed sell back price. In contrast, the fair value of the sell options shall be all transferred to profit in the current period.

If the holders of the bonds are able to execute the sell options in the following year, the corporate bond payable shall be classified as current liabilities. If the execution period ends and the options are not executed, the corporate bond payable shall be classified as non-current liabilities.

( ii ) 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.

( iii ) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. A financial liability is classified as held-for- trading if it is acquired principally for the purpose of selling in the short term.

At the initial recognition, financial liabilities are measured at fair value through profit or loss and transaction costs are recognized as profit or loss as incurred. Subsequent to initial recognition, financial liabilities are measured at fair value, and changes therein are recognized as non-operating income and expenses in other gains and losses.

( iv ) 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.

( v ) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in non-operating income and expense, and is included in other gains and losses.

( vi ) Offsetting of financial assets and liabilities

The Consolidated Company presents financial assets and liabilities on a net basis when the Consolidated Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3 ) **Derivative financial instruments, including hedge accounting**

The Consolidated Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in non-operating income and expense, and are included in other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss. The Consolidated Company assigned parts of hedge instruments (derivate financial instruments)to hedge its cash flow.

At the beginning of hedge relationship, the Consolidated Company records (i) the relationship between the hedge instrument and the hedged item (ii) the purpose of risk management, and (iii) the policies for different transactions in writing.

In addition, the Consolidated Company records regularly in writing whether the hedge instruments can effectively offset the variance of fair value or cash flow from the hedged items.

Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in “ other equity – effective portion of cash flow hedge gain (loss)”. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and recognized in non- operating income and expense, and are included in other gains and losses.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

For a cash flow hedge of a forecast transaction recognized as a non financial asset or liability, the amount accumulated in “other equity – effective portion of cash flow hedge gain (loss)” and retained in other comprehensive income is reclassified as the initial cost of the non financial asset or liability.

( 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.



Unrealized profits resulting from the transactions between the Consolidated Company and an associate are eliminated to the extent of the Consolidated Company's interest in the associate.

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 the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for 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 the depreciation expense of investment property is determined based on the depreciable amount, where the depreciation methods useful lives and its residual value are in consistent with the standards in property, plant and equipment.

( l ) Property, plant and equipment

1 ) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Properties in the course of construction are carried at cost, less, any recognized impairment loss. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment by the method used by the accounts of the same category when completed and ready for intended use.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless, the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

2 ) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when there is a change in use.

3 ) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

4 ) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and is estimated using the straight-line method over its useful life and is assessed based on the components that are

significant. If the useful life of a component differs from that of others, the depreciable amount should be disclosed individually. The depreciable amount is recognized in profit and loss.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

( m ) Leases

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for 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 the depreciation expense of investment property is determined based on the depreciable amount, where the depreciation methods useful lives and its residual value are in consistent with the standards in property, plant and equipment.

1 ) Lessor

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

2 ) 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

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for 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 the depreciation expense of investment property is determined based on the depreciable amount, where the depreciation methods useful lives and its residual value are in consistent with the standards in property, plant and equipment.

1 ) Goodwill

( i ) Recognition

Goodwill arises from acquisition of subsidiaries is included in intangible assets.

( ii ) 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.

2 ) Other intangible asset

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

3 ) 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.

4 ) 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:

( i ) Computer software: 1~8 years

Goodwill arises from acquisition of subsidiaries is included in intangible assets.

( ii ) Patents: Amortization is recognized using the term of patent contract. The estimated lives are 11~16 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

The Consolidated Company assesses the goodwill and intangible assets with infinite useful lives at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of each asset or cash-generating unit shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with infinite useful lives are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying 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.

1 ) Warranties

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

Allowances for sales returns

Allowances for sales returns are estimated based on historical experiences. Such provisions are deducted from sales in the year the products are sold.

Pending legal proceedings

Pending legal proceedings are estimated at the expected legal cost based on historical experiences.

2 ) Allowances for sales returns

Allowances for sales returns are estimated based on historical experiences. Such provisions are deducted from sales in the year the products are sold.

3 ) Pending legal proceedings

Pending legal proceedings are estimated at the expected legal 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.

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

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.

1 ) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value with consideration of net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement or be transferred to the customers which occurs principally at the time when the goods are delivered.

2 ) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

( s ) Employee benefits

1 ) 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, DHD and other holding companies do not have



employees on the payroll, and therefore, do not have a pension plan. DEU and other subsidiaries adopt pension plans in accordance with the local authorities that recognized pension expenses based on the contributions in that year. DCN 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.

2 ) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income and transferred to the retained earnings.

3 ) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus 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.

( t ) Share-based payment

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

If the modification of the equity instruments granted the reduced total fair value of the share-based payment arrangements, the Consolidated Company shall be accounted for the services received as if that modification had not occurred.

( u ) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses recognized directly in other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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:

- 1 ) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transactions.
- 2 ) Temporary differences arising from investments in subsidiaries and it' s probable that the temporary differences will not reverse in the foreseeable future.
- 3 ) Initial recognition goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- 1 ) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- 2 ) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - ( i ) the same taxable entity; or
  - ( ii ) 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.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period and shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

( 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.

- ( a ) Cash and Cash Equivalents
- ( b ) Financial Assets and Liabilities
- ( c ) Derivative financial instruments used for hedging – current
- ( d ) Notes and accounts receivable and other receivables
- ( e ) Inventories
- ( f ) Investments accounted for the using equity methods
- ( g ) Subsidiaries have material non-controlling interests
- ( h ) Property, plant and equipment
- ( i ) Investment property
- ( j ) Intangible assets
- ( k ) Long-term and short-term loans
- ( l ) Provisions current
- ( m ) Bonds payable
- ( n ) Operating leases
- ( o ) Employee benefits
- ( p ) Income Taxes
- ( q ) Share capital and other equity
- ( r ) Earnings per share
- ( s ) Revenue
- ( t ) Remuneration to employees, directors and supervisors
- ( u ) Other income
- ( v ) Other gains and losses
- ( w ) Finance costs
- ( x ) Items that were reclassified to other com prehensive income
- ( y ) Financial instrument
- ( z ) Financial risk management

( 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 judgments, estimations, assumptions, and 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

When there is objective evidence of impairment loss, the Consolidated Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured based on analysis of clients' default record, current position and account receivable aging. If actual future cash inflow is less than expected, significant impairment loss may occur. Refer to Note 6(d) 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, 2017	DECEMBER 31, 2016
Cash on hand	\$ 5,141	9,829
Checking and saving accounts	2,130,502	3,610,048
Cash equivalents	1,570,226	694,369
	\$ 3,705,869	4,314,246

Please refer to 6(y) for the interest risks in financial assets and liabilities and their sensitivity analysis.

( b ) Financial Assets and Liabilities

1 ) Details as follows

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS  
– CURRENT

	DECEMBER 31, 2017	DECEMBER 31, 2016
Beneficiary certificates – mutual funds	\$ -	19,029
Foreign currency option contracts	-	121
Gross currency swaps	2,433	5,154
Forward foreign exchange contracts	2,188	10,521
Exchangeable corporate bonds	614	835
	\$ 5,235	35,660

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS  
– CURRENT

	DECEMBER 31, 2017	DECEMBER 31, 2016
Foreign currency option contracts	\$ -	10
Gross currency swaps	8,550	2,137
Forward foreign exchange contracts	9,026	13,390
Exchangeable corporate bonds	74,398	78,102
	\$ 91,974	93,639

AVAILABLE-FOR-SALE FINANCIAL ASSETS  
– NON-CURRENT

	DECEMBER 31, 2017	DECEMBER 31, 2016
Cameo Communication, Inc. (CAMEO)	\$ 368,622	283,913
IC Plus Corp. (ICPC)	46,283	52,246
Abocom Systems, Inc. (ASI)	-	10,975
Z-Com, Inc. (Z-Com)	54,029	30,508
	\$ 468,934	377,642

FINANCIAL ASSETS CARRIED AT COST  
– NON-CURRENT

	DECEMBER 31, 2017	DECEMBER 31, 2016
QuieTek Corporation (QUIETEK)	\$ -	-
ID Branding Fund Inc.	-	250
YouXiang Electronic Technology (Beijing) Co., Ltd.	6,395	6,521
Venture Power Group Limited (Venture Power)	317	317
	\$ 6,712	7,088



( i ) The Consolidated Company holds Available-for-sale financial assets. Because of continuing decrease in price from the invested companies, the Consolidated Company recognized an impairment loss amounting to \$148 thousand and \$60,040 thousand in 2017 and 2016.

( ii ) The Consolidated Company holds financial assets carried at cost. Because of continuing losses from the invested companies, the Consolidated Company recognized the impairment loss amounting to \$19,374 thousand in 2016.

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

( iv ) As of December 31, 2017 and 2016, no financial assets are pledged as collateral.

## 2 ) Sensitivity analysis – equity market price risk:

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

Security price at eporting date

		DECEMBER 31, 2017		DECEMBER 31, 2016	
		After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$	14,068	-	11,329	400
Decrease 3%	\$	(14,068)	-	(8,517)	(2,812)

## 3 ) 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, 2017 and 2016, transactions that do not qualify for hedging accounting are presented as held-for-treading financial assets were as follows:

## ( i ) Derivative financial assets

DECEMBER 31, 2017				DECEMBER 31, 2016		
	Contract Amount (Thousand)	Currency	Maturity Date	Contract Amount (Thousand)	Currency	Maturity Date
CROSS CURRENCY SWAPS:						
GBP	500	GBP	2018.02	-	-	-
RUB	354,224	RUB	2018.02	-	-	-
EUR	-	-	-	1,500	EUR	2017.01
CNH	-	-	-	41,647	CNH	2017.01
JPY	-	-	-	500,00	JPY	2017.06
JPY	-	-	-	660,000	JPY	2017.12
JPY	-	-	-	170,000	JPY	2017.01
						~ 2017.02
FORWARD FOREIGN EXCHANGE CONTRACTS:						
AUD (sell)	500	AUD	2018.03	-	-	-
CAD (sell)	500	CAD	2018.03	-	-	-
EUR (sell)	-	-	-	4,000	EUR	2017.01
						~ 2017.01
CNH (sell)	-	-	-	51,845	CNH	2017.01
BRL (sell)	12,722	BRL	2018.01	-	-	-
KRW (sell)	-	-	-	2,389,700	KRW	2017.01
RUB (buy)	-	-	-	186,250	RUB	2017.01
JPY (sell)	80,000	JPY	2018.01	225,000	JPY	2017.01
						~ 2017.02
USD (buy)	-	-	-	25000	USD	2017.01
GBP (sell)	2,000	GBP	2018.06	-	-	-
FOREIGN CURRENCY OPTION CONTRACTS:						
Call options (sell)	-	-	-	1,800	EUR	2017.01
						~ 2017.01
Put options (buy)	-	-	-	900	EUR	
						2017.01
						~ 2017.02

( ii ) Derivative financial liabilities

DECEMBER 31, 2017				DECEMBER 31, 2016		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
CROSS CURRENCY SWAPS:						
EUR	\$ -	-	-	2,000	EUR	2017.01
USD	3,000	USD	2018.06	2,000	USD	2017.01
CNH	80,729	CNH	2018.01	3,136	CNH	2017.01
JPY	800,000	JPY	2018.12	10,000	JPY	2017.01
GBP	1,350	GBP	2018.01 ~ 2018.02	-	-	-
AUD	700	AUD	2018.01	-	-	-
CAD	1,000	CAD	2018.01	-	-	-
FORWARD FOREIGN EXCHANGE CONTRACTS:						
EUR (sell)	11,000	EUR	2018.01 ~ 2018.02	1,000	EUR	2017.01
BRL (sell)	9,975	BRL	2018.01	43,692	BRL	2017.01
USD (buy)	3,432	USD	2018.01	4,500	USD	2017.01 ~ 2017.02
AUD (sell)	1,000	AUD	2018.01	-	-	-
GBP (sell)	1,800	GBP	2018.01 ~2018.02	-	-	-
KRW (sell)	2,155,00	KRW	2018.01 ~ 2018.02	-	-	-
JPY (sell)	50,000	JPY	2018.03	-	-	-
CAD (sell)	\$ 1,000	CAD	2018.01	-	-	-
FOREIGN CURRENCY OPTION CONTRACTS:						
Call options (sell)	-	-	-	6,790	CNH	2017.02

( c ) Derivative financial instruments used for hedging – current

DECEMBER 31, 2017		
CASH FLOW HEDGE:		
Derivative financial assets used for hedging current:		
Forward exchange contracts	\$	1,109

The Consolidated Company's strategy is to engage in forward exchange contracts to hedge the foreign currency exposure rising from specific foreign exchange position; that is that the Consolidated Company manages its expected future foreign currency exposure in respect of forecasted sales and purchases by engaging in forward exchange contracts. If the above forecasted sales and purchases transactions occur, the Consolidated Company will adjust the recognition basis for measuring carrying amount of non-financial assets and liabilities. The terms of forwards exchange contracts shall be instituted according to the terms of the contracts regarding the hedge items. The unexpired forward exchange contracts held by the Consolidated Company were as follows:

December 31, 2017			
	Contract amount (thousand)	Currency	Maturity period
Forward exchange purchased	241,750	GBP to USD	2018.1.26~ 2018.5.30

The Consolidated Company sold electronic equipment to customers located in the United Kingdom. The Consolidated Company uses forward exchange contracts, with a maturity of less than six months, to hedge its currency risk with respect to expected future transactions. Such contracts are generally designated as cash flow hedges. The total forward exchange contracts related to such transactions that were recognized in other comprehensive income and accumulated in “other equity – effective portion of cash flow hedge gains and losses” were \$1,109 thousand. These transactions are expected to occur five months before the end of the next fiscal period, and at such time, the amount accumulated in “other equity – effective portion of cash flow hedge gains and losses” will be reclassified to profit or loss.

For the year ended December 31, 2017, there was no ineffective portion of cash flow hedge recognized in profit or loss.

For the year ended December 31, 2017, there was no gains and losses reclassified from other equity resulting from the changes in fair value of the hedging instruments.

( d ) Notes and accounts receivable and other receivables

	DECEMBER 31, 2017	DECEMBER 31, 2016
Notes receivable for operating activities	\$ 33,546	33,671
Accounts receivable	4,780,656	5,205,442
Other receivables	92,198	133,149
	4,906,400	5,372,262
Less: allowance for doubtful accounts	\$ (219,555)	(195,931)
allowance for returns and discounts	(396,191)	(380,756)
	4,290,654	4,795,575



The Consolidated Company's aging analysis of notes, accounts receivable and other receivables that are due but not impaired as of December 31, 2017 and 2016, were as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Overdue 30 days or less	\$ 449,331	165,620
Overdue 31~120 days	55,079	62,906
Overdue 121~360 days	-	7
Overdue for more than one year	-	174
	\$ 504,410	228,707

The Consolidated Company's movements in the allowance on notes, accounts receivable and other receivables in December 31, 2017 and 2016 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	-	195,931	195,931
Impairment loss recognized	-	70,830	70,830
Write-offs	-	(32,879)	(32,879)
Others	-	(14,327)	(14,327)
Balance at December 31, 2017	-	219,555	219,555
Balance at January 1, 2016	-	231,089	231,089
Impairment loss recognized	-	31,415	31,415
Write offs	-	(62,145)	(62,145)
Others	-	(4,428)	(4,428)
Balance at December 31, 2016	-	195,931	195,931

#### ( e ) Inventories

	DECEMBER 31, 2017	DECEMBER 31, 2016
Finished goods	\$ 3,190,391	3,096,816

The operating cost comprises of cost of goods sold, write-down (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). For the year ended December 31, 2017 and 2016, the cost of goods delivered were \$13,737,442 thousand and \$16,327,823 thousand, respectively. Write-down of inventories to net realizable value is recorded as cost of goods sold and decreased by \$100,314 thousand and \$122,970 thousand in 2017 and 2016, respectively. In 2017 and 2016, the warranty expenses, inventory losses from obsolescence and others amounted to \$480,197 thousand and \$699,982 thousand, respectively.

As of December 31, 2017 and 2016, no inventories were pledged as collateral.

#### ( f ) Investments accounted for the using equity methods

Investments accounted for the using equity methods were as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Associates	\$ 2,409,839	3,118,050

#### 1 ) Associates

The information of associates that are material to the Consolidated Company were as follows:

Name of Associate	Name of relationship with the Consolidated Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held December 31, 2017	December 31, 2016
ALPHA	The major business are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	26.48%	35.23%

( i ) The financial information of ALPHA was summarized as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Current assets	\$ 1,364,394	1,227,443
Non-current assets	584,213	587,668
Current liabilities	763,726	630,995
Non-current liabilities	6,741	4,077
Net assets	1,178,140	1,180,039
Net assets attributable to non-controlling interests	405,706	392,492

	DECEMBER 31, 2017	DECEMBER 31, 2016
Current assets	\$ 11,166,240	11,398,704
Non-current assets	2,558,385	2,877,620
Current liabilities	4,638,014	5,312,386
Non-current liabilities	391,651	445,282
Net assets	8,694,960	8,518,656
Net assets attributable to investor's shareholders	\$ 8,694,960	8,518,656

	2017	2016
Operating revenue	\$ 19,057,109	21,830,730
Net income	547,190	608,039
Other comprehensive income (loss)	51,010	(283,341)
Total comprehensive income (loss)	598,200	324,698
Total comprehensive income (loss) attributable to investee's shareholders	\$ 598,200	324,699

	2017	2016
The Consolidated Company's share in associate's net assets at beginning of year	\$ 3,000,368	2,962,884
Comprehensive income attributable to the Consolidated Company	141,736	114,766
Changes in equity of associates using equity method	(18,565)	(343)
Dividends received during the year	(122,336)	(76,514)
Less: disposal	(699,991)	(425)
The Consolidated Company's share in associate's net assets at end of year	2,301,212	3,000,368
Less: unrealized gains or losses	(149,741)	(167,503)
Add: goodwill	116,580	116,580
Carrying amounts of investments accounted for using equity method	\$ 2,268,051	2,949,445

	DECEMBER 31, 2017	DECEMBER 31, 2016
Carrying amounts of interests of immaterial associates	\$ 141,788	168,605

	2017	2016
ATTRIBUTABLE TO THE CONSOLIDATED COMPANY		
Profit (loss) from continuing operations	\$ 18,312	22,510
Other comprehensive income (loss), net of tax	(2,706)	(14,342)
Total comprehensive income	\$ 15,606	8,168

( ii ) The market value of publicly listed or OTC investees of the Consolidated accounted for under using the equity method were as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
ALPHA	\$ 2,799,606	2,998,891
BOTHHAND	227,746	214,558
	\$ 3,027,352	3,213,449

2 ) Pledges

As of December 31, 2017 and 2016, no investment accounted for using equity methods is pledged as collateral.

( g ) Subsidiaries have material non-controlling interests

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

Name of subsidiary	Principal place of business/ Registered country	Ownership interests held by NCI	
		December 31, 2017	December 31, 2016
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, 2017	DECEMBER 31, 2016
Current assets	\$ 1,364,394	1,227,443
Non-current assets	584,213	587,668
Current liabilities	763,726	630,995
Non-current liabilities	6,741	4,077
Net assets	1,178,140	1,180,039
Net assets attributable to non-controlling interests	405,706	392,492

	DECEMBER 31, 2017	DECEMBER 31, 2016
Operating revenues	\$ 2,849,526	3,480,171
Net income	49,347	93,499
Other comprehensive income	-	-
Total comprehensive income	49,347	93,499
Net income attributable to the non-controlling interests	24,170	45,796
Total comprehensive income attributable to the noncontrolling interests	\$ 24,170	45,796
Cash used in operating activities	(76,469)	(3,892)
Cash flows used in investing activities	(984)	(130)
Cash flows generated by financing activities	466	13
Net decrease in cash and cash equivalents	(76,987)	(4,009)
Cash dividends paid to non-controlling	4,000	5,857



( h ) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Consolidated Company in 2017 and 2016 were as follows:

2017							
	Balance as of January 1, 2017	Increase	Decrease	Transfer	Reclassification	Others	Balance as of December 31, 2017
<b>Cost:</b>							
Land	\$ 576,301	-	-	-	-	(473)	575,828
Buildings	944,886	2,508	-	-	22,329	15,724)	953,999
Others	1,499,224	90,024	157,396	-	611	3,430)	1,429,033
Equipment to be inspected and construction in process	23,752	3,040	-	-	(22,940)	(1,382)	2,470
	3,044,163	95,572	157,396		-	21,009)	2,961,330
<b>Accumulated depreciation:</b>							
Buildings	475,892	23,878	-	-	-	(3,881)	495,889
Others	1,288,565	112,928	151,047	(86)	-	(5,151)	1,245,209
	1,764,457	136,806	151,047	(86)	-	(9,032)	1,741,098
<b>Accumulated impairment:</b>							
Buildings	8,000	-	-	-	-	-	8,000
	\$ 1,271,706	(41,234)	6,349	86	-	(11,977)	1,212,232

2016							
	Balance as of January 1, 2016	Increase	Decrease	Transfer	Reclassification	Others	Balance as of December 31, 2016
<b>Cost:</b>							
Land	\$ 573,221	538	-	-	-	2,542	576,301
Buildings	840,036	850	-	-	89,851	14,149	944,886
Others	1,495,363	97,429	75,632	(2,632)	-	15,304)	1,499,224
Equipment to be inspected and construction in process	87,894	21,828	-	-	(89,851)	3,881	23,752
	2,996,514	120,645	75,632	(2,632)	-	5,268	3,044,163
<b>Accumulated depreciation:</b>							
Buildings	455,653	20,960	-	-	-	(721)	475,892
Others	1,257,073	123,176	71,357	(2,437)	-	(17,890)	1,288,565
	1,712,726	144,136	71,357	(2,437)	-	(18,611)	1,764,457
<b>Accumulated impairment:</b>							
Buildings	8,000	-	-	-	-	-	8,000
	\$ 1,275,788	(23,491)	4,275	(195)	-	23,879	1,271,706

As of December 31, 2017 and 2016, no property, plant and equipment were pledged as collateral.

( i ) Investment property

2017					
	Balance as of January 1, 2017	Increase	Decrease	Transfer	Balance as of December 31, 2017
<b>Cost:</b>					
Land	\$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
<b>Accumulated Depreciation:</b>					
Buildings	10,338	396	-	-	10,734
<b>Accumulated impairment:</b>					
Buildings	1,000	-	-	-	1,000
	\$ 40,858	(396)	-	-	40,462

2016					
	Balance as of January 1, 2016	Increase	Decrease	Transfer	Balance as of December 31, 2016
<b>Cost:</b>					
Land	\$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
<b>Accumulated Depreciation:</b>					
Buildings	9,942	396	-	-	10,338
<b>Accumulated impairment:</b>					
Buildings	1,000	-	-	-	1,000
	\$ 41,254	(396)	-	-	40,858

	DECEMBER 31, 2017	DECEMBER 31, 2016
Book value	40,462	40,858
Fair value	42,573	50,083

Investment properties are commercial properties 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 (including the rental income and direct operating expenses), please refers to note 6(u). Besides, direct operating expense related to investment property was \$315 thousand and \$138 thousand in 2017 and 2016, respectively.

The fair value of investment property as of December 31, 2017 and 2016, was based on the comparable deal information with similar location and category or appraisal report, respectively.

As of December 31, 2017 and 2016, no investment property was pledged as collateral.

( j ) Intangible assets

2017							
	Balance as of January 1, 2017	Increase	Decrease	Transfer	Amortization	Others	Balance as of December 31, 2017
Goodwill	\$ 332,010	-	-	-	-	(18,312)	313,698
Trademark	154,804	-	-	-	-	(11,805)	142,999
Patents	28,485	-	-	-	(2,691)	-	25,794
Computer software cost	137,683	1,704	-	-	(35,114)	-	104,273
Other intangible assets	19,028	4,348	-	(86)	(7,568)	623	16,345
	672,010	6,052	-	(86)	(45,373)	(29,494)	603,109

2016							
	Balance as of January 1, 2016	Increase	Decrease	Transfer	Amortization	Others	Balance as of December 31, 2016
Goodwill	\$ 341,143	-	-	-	-	(9,133)	332,010
Trademark	158,416	-	-	-	-	(3,612)	154,804
Patents	31,177	-	-	-	(2,692)	-	28,485
Computer software cost	160,490	15,193	-	-	(38,000)	-	137,683
Other intangible assets	24,563	5,380	(195)	195	(10,366)	(549)	19,028
	715,789	20,573	(195)	195	(51,058)	(13,294)	672,010

( k ) 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:

1 ) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2017	December 31, 2016
Unsecured bank loans	\$ TWD	0.93~1.37	2017~2018	1,250,000	1,279,500
Unused credit facilities				2,587,866	4,000,315

2 ) Long-term Loans

	Currency	Interest rate	Maturity year	December 31, 2017	December 31, 2016
Industrial Bank of Taiwan	\$ TWD	1.37	2017	-	150,000
Less: Due within one year	TWD	1.37	2017	-	(150,000)
Total				-	-
Unused credit facilities				1,197,720	1,084,680

( l ) Provisions current

2017						
	Balance as of January 1, 2017	Increase	Used	Reversed	Effect of exchange	Balance as of January 1, 2017
Warranties	161,146	25,859	(26,705)	(813)	(447)	159,040
Sales return and allowances	\$ 46,898	23,050	(1,136)	-	(2,311)	66,501
Legal proceedings	93,704	9,101	-	(37,913)	(6,688)	58,204
	301,748	58,010	(27,841)	(38,726)	(9,446)	283,745

2016						
	Balance as of January 1, 2017	Increase	Used	Reversed	Effect of exchange	Balance as of January 1, 2017
Warranties	161,146	25,859	(26,705)	(813)	(447)	159,040
Sales return and allowances	\$ 46,898	23,050	(1,136)	-	(2,311)	66,501
Legal proceedings	93,704	9,101	-	(37,913)	(6,688)	58,204
	301,748	58,010	(27,841)	(38,726)	(9,446)	283,745

( m ) Bonds payable

1 ) Exchangeable corporate bonds

	DECEMBER 31, 2017	DECEMBER 31, 2016
Exchangeable bonds	\$ 1,200,000	1,200,000
Less:		
Discount and unamortized issuance cost	(11,874)	(54,507)
Accumulated exchanged bonds	(789,700)	(500)
Balance of exchangeable bonds	\$ 398,426	1,144,993

EMBEDDED DERIVATIVES:

Call options, included in financial assets at fair value through profit or loss	614	835
Put options and conversion options, included in financial liabilities at fair value through profit or loss	74,398	78,102
Embedded derivative gains (losses) measured at fair value, included in other gains and losses	132,825	34,583
Interest expense	12,157	19,555

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 12,000 thousand units. As of December 31, 2017, the bondholders have already exchanged 7,897 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 0.25% 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 Network Inc. on or after July 18, 2015, and prior to June 17, 2020. For the year ended December 31, 2017, the bondholders exchanged 7,892 units amounting to \$789,200 thousand for 35,374 thousand of ALPHA' S common shares at \$22.31 per share and the Company recognized the profit amounting to \$195,040 thousand. For the year ended December 31, 2016, the bondholders exchanged 5 units amounting to \$500 thousand for 22 thousand of ALPHA'S common shares at \$22.31 per share and the Company recognized the profit amounting to \$105 thousand.

distribution of cash dividends in 2016. The exchange price for ALPHA's capital reduction was adjusted to \$21.37 per share based on the ex-dividend date on August 2, 2017 due to the distribution of cash dividends in 2017.

( 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.

( n ) Operating leases

1 ) Leases – Lessee

Non-cancellable operating lease rentals were payable as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Within one year	\$ 213,682	204,090
One to five years	420,794	436,998
Over five years	190,682	208,401
	\$ 825,158	849,489

The operating leases recognized in profit or loss in 2017 and 2016 amounting to \$255,937 thousand and \$287,132 thousand, respectively.

2 ) Leases – Lessor

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

Rental income general from investment property in 2017 and 2016 were amounting to \$2,450 thousand and \$2,458 thousand, respectively.

( o ) Employee benefits

1 ) The reconciliation of the assets were as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Present value of benefit obligations	\$ 115,408	118,847
Fair value of plan assets	(95,081)	(97,164)
Deficit in the plan	\$ 20,327	21,683

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.

( i ) 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 \$97,302 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.

( ii ) Movements in the present value of the defined benefit obligations in 2017 and 2016 were as follows:



	2017	2016
Defined benefit obligation at January 1	\$ 118,847	117,590
Current service cost and interest	2,523	3,239
REMEASUREMENT OF THE NET DEFINED BENEFIT LIABILITIES		
Actuarial gains and losses changes in the financial assumptions	(4,403)	9,325
Actuarial gains and losses changes in experience adjustments	\$ 4,260	1,604
Benefits paid by the plan	(5,819)	(12,911)
Defined benefit obligation at December 31	115,408	118,847

( iii ) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2017 and 2016 were as follows:

	2017	2016
Fair value of plan assets at January 1	\$ 118,847	117,590
Interest revenue	2,523	3,239
REMEASUREMENT OF THE NET DEFINED BENEFIT LIABILITIES		
Actuarial return on plan assets (excluding interest)	(4,403)	9,325
Contributions made	\$ 4,260	1,604
Benefits paid by the plan	(5,819)	(12,911)
Fair value of plan assets at December 31	115,408	118,847

( iv ) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2017 and 2016 were as follow:

	2017	2016
Current service cost	\$ 902	1,043
Net interest on the net defined benefit obligation	283	183
	\$ 1,185	1,226

	2017	2016
Operating cost	\$ 16	143
Selling expenses	515	458
Administrative expenses	323	254
Research and development expenses	331	371
	\$ 1,185	1,226

( iv ) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Balance on January 1	\$ 52,966	40,759
Recognized	217	12,207
Balance on December 31	\$ 53,183	52,966

( vi ) Actuarial assumptions

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

	2017	2016
Discount rate	1.375 %	1.375 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of \$2,145 thousand to the plan for the next annual reporting period.

The weighted average duration of defined benefit obligation is 17.14 years and 17.76 years in 2017 and 2016, respectively.

( vii ) Sensitivity analysis

The impact on present value due to the changes in the actuarial assumptions in 2017 and 2016 was as follows:

	EFFECTIVE OF DEFINED	BENEFIT LIABILITIES DECREASE
DECEMBER 31, 2017		
Discount rate (0.25% change)	(4,214)	4,403
Future salary increase (0.25% change)	4,278	(4,107)
DECEMBER 31, 2016		
Discount rate (0.25% change)	(4,534)	4,744
Future salary increase (0.25% change)	4,600	(4,407)

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 as same as the previous financial statements.

2 ) Defined contribution plans

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

The amount of the Company' s pension expenses under defined contribution pension plan in 2017 and 2016 were as follows:

	2017	2016
Operating cost	\$ 10,265	10,784
Operating expense	\$ 121,078	135,553

#### ( p ) Income Taxes

Income tax expenses for the years ended December 31, 2017 and 2016 were summarized as follows:

	2017	2016
Current income tax expense	\$ 3,759	134,382
Deferred tax expense (income)	43,095	(14,090)
	\$ 46,854	120,292

The amount of income tax recognized in other comprehensive income was as follows:

	2017	2016
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	\$ (62,999)	(1,956)

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

	2017	2016
Loss before income tax	\$ (125,228)	(789,374)
Income tax using the Company's domestic tax rate	(21,289)	(134,193)
Effect of tax rate in foreign jurisdiction	(3,910)	94,248
Non-taxable income	(68,731)	(50,805)
Unrecognized temporary differences	98,940	245,675
Reporting differences on prior years and others	41,844	(34,633)
	\$ 46,854	120,292

#### 1 ) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Unrealized expenses	\$ 179,389	156,990
Provisions	11,642	11,252
Impairment	22,031	22,031
Operating loss carry forward	1,123,633	711,218
Write-down of inventories to net realizable value	62,011	54,955
Others	69,095	132,967
	\$ 1,467,801	1,089,413

#### 2 ) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years 2017 and 2016 were as follows:

	Intra-group transactions	Foreign currency translation reserv	Unrealized expenses	Write down of inventory	Bad debts	Loss carry forward	Others	Total
DEFERRED INCOME TAX ASSETS:								
Balance at January 1, 2017	\$ 143,520	159,569	34,885	93,142	39,710	44,364	53,385	568,575
Recognized in income statement	(9,976)	-	19,209	(48,410)	(37,079)	11,292	24,333	(40,631)
Foreign currency translation reserve	-	62,999	-	-	-	-	-	62,999
Balance at December 31, 2017	133,544	222,568	54,094	44,732	2,631	55,656	77,718	590,943
Balance at January 1, 2016	181,998	157,613	136,367	85,146	34,224	92,132	60,198	747,678
Recognized in income statement	(38,478)	-	(101,482)	7,996	5,486	(47,768)	(6,813)	(181,059)
Foreign currency translation reserve	-	1,956	-	-	-	-	-	1,956
Balance at December 31, 2016	\$ 143,520	159,569	34,885	93,142	39,710	44,364	53,385	568,575

	Investments under the equity method	Others	Total
DEFERRED INCOME TAX LIABILITIES:			
Balance at January 1, 2017	\$ 6,797	5,729	12,526
Recognized in profit or loss	(2,179)	4,643	2,464
Balance at December 31, 2017	4,618	10,372	14,990
Balance at January 1, 2016	200,088	7,587	207,675
Recognized in profit or loss	(193,291)	(1,858)	(195,149)
Balance at December 31, 2016	\$ 6,797	5,729	12,526

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 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, 2017, 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	2016	2026	43,755
The Company	2017	2027	2,186,245
YEOCHIA	2014	2024	4,204
YEOMAO	2014	2024	555
YEOTAI	2008	2018	3,410
YEOTAI	2010	2020	15,071
YEOTAI	2011	2021	2,039
YEOTAI	2014	2024	2,813
YEOTAI	2016	2026	1,330
D-Link Europe	2003 and 2015~2016	Unlimited	328,058
D-Link Brazil	2014~2017	Unlimited	1,096,564
D-Link Trade	2015	2025	74,578
DCN	2013~2015	2018~2020	570,334
D-Link Mexicana	2014~2015 and 2017	2024~2025 and 2027	99,428
D-Link Systems	2017	2037	69,929
D-Link International	2015~2017	Unlimited	1,386,404
D-Link Korea	2011~2016	2021~2026	68,845
			5,953,562

The income tax returns of the Company, YEOMAO and YEOCHIA have been examined by ROC income tax authorities through 2015, and YEOTAI have been examined through 2016. Information on the integrated tax system of the Company was summarized as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Unappropriated retained earning (Accumulated deficits) after January 1, 1998	\$ (Note)	(866,691)
Imputation credit account balance	\$ (Note)	369,807

The unappropriated retained earnings as mentioned above includes comparative information of each period which are in accordance with Regulation Governing the Preparation of Financial Reports by Securities Issuers and IFRS endorsed by the FSC.

	2017 (estimated)	2016 (actual)
CREDITABLE RATIO FOR EARNINGS DISTRIBUTION TO RESIDENT		
stockholders	\$ (Note)	- %

The abovementioned, information was prepared in accordance with the information letter No. 10204562810 announced by Ministry of Finance of R.O.C. on October 17, 2013.

Note: Amendment issued by the President on February 7, 2018 has canceled the set-up, recording, calculations, and allocations of ICA. Tax creditable ratio above is not applicable since January 1, 2018.

( q ) Share capital and other equity

1 ) Common stock

As of December 31, 2017 and 2016, 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, 2017 and 2016, 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.

2 ) Capital surplus

As of December 31, 2017 and 2016, 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, 2017 and 2016, 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.

	DECEMBER 31, 2017	DECEMBER 31, 2016
Common stock in excess of par value	\$ 1,282,230	1,474,837
Treasury stock	32,051	22,004
Share of changes in equities of associates accounted for under the equity method	8,182	7,470
Expiry of share-based payment transactions	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes the Company's ownership interests in subsidiaries	55,320	21,724
Total	\$ 1,588,696	1,736,948

According to the ROC Company Act, the reserve may be used to offset a deficit, or distribute as cash or stocks 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.

The Company's shareholders' meetings held on April 28, 2017 and June 17, 2016 resolved to distribute cash amounting to \$192,607 thousand (NT\$0.3 per share), and \$189,841 thousand (NT\$0.3 per share) with capital surplus.

( i ) Legal reserve

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. When the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash based on the resolution of the shareholders' meeting if there is no accumulated deficit.

( ii ) 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. The Company's shareholders meetings on June 17, 2016, approved to make the legal reserve amounting \$124,165 thousand.



( iii ) 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. Dividends distributed to shareholders should not be less than 30 percent of the distributable earnings for the current year.

The Company has no earnings to distribute in 2016 and 2015 due to the annual deficit.

The Company's shareholders' meeting decided to appropriate its losses on April 28, 2017 and June 17, 2016 by using its special reserve and legal reserve, amounting to \$678,133 thousand and \$188,558 thousand, respectively, to cover for its deficits.

( iv ) 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.

4 ) 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	9,221
August 13, 2015	19,192	\$ 186,425		-	September 19, 2017	8,127

	2017		2016	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Beginning balance	\$ 9,971	96,855	44,192	636,895
Decreased	\$ (8,127)	(78,943)	(34,221)	(540,040)
Ending balance	1,844	17,912	9,971	96,855

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, 2017 Independent Auditors' Report. The ceiling on total number of shares of the repurchase is 63,356 thousand shares and the ceiling on total monetary amount of the repurchase is \$3,266,104 thousand.

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

5 ) Other equity

	Foreign exchange differences arising from foreign operations	Unrealized gains and losses on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedge	Others
Balance at January 1, 2017	\$ (798,803)	30,104	-	-
<b>FOREIGN EXCHANGE DIFFERENCES (NET OF TAXES):</b>				
The Consolidated Company	(312,328)	-	-	-
Associates	8,750	-	-	-
<b>UNREALIZED GAINS AND LOSSES FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>				
The Consolidated Company	-	124,127	-	-
Associates	-	(1,367)	-	-
<b>GAINS (LOSSES) ON EFFECTIVE PORTION OF CASH FLOW HEDGE:</b>				
The Consolidated Company	-	-	1,109	-
<b>OTHER:</b>				
Associates	(1,102,381)	152,864	1,109	(44,400)
Balance at December 31, 2017	(671,330)	(6,802)	-	-
Balance at January 1, 2016		-	-	-
<b>FOREIGN EXCHANGE DIFFERENCES (NET OF TAXES):</b>				
The Consolidated Company	(9,437)	-	-	-
Associates	(118,036)	-	-	-
<b>UNREALIZED GAINS AND LOSSES FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>				
The Consolidated Company	-	35,242	-	-
Associates	-	1,664	-	-
Balance at December 31, 2016	\$ (798,803)	30,104	-	-

6 ) Non-controlling interests

	2017	2016
Balance at the beginning of the period	\$ 431,294	412,502
<b>NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST:</b>		
Net income	21,369	43,906
Exchange differences on translation of foreign operations	(9,209)	(19,257)
Cash dividends distributed by subsidiaries	(4,000)	(5,857)
Change in ownership interests in subsidiaries	(33,596)	-
Change in Non-controlling interests	(152)	-
Balance at the end of the period	\$ 405,706	431,294

( r ) Earnings per share

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

Basic earnings per ordinary share

	2017	2016
Loss attributable to owners of the parent	\$ (193,451)	(953,572)
Outstanding at the ordinary share at 1 January	642,025	632,804
Weighted-average share of treasury stock	2,280	2,561
Weighted-average ordinary shares outstanding at 31 December	644,305	635,365
Basic losses per ordinary share (New Taiwan dollars)	\$ (0.30)	(1.50)

( s ) Revenue

	2017	2016
Goods sold	\$ 19,187,887	22,813,029
Services	128,192	108,769
	\$ 19,316,079	22,921,798

( t ) Remuneration to employees, directors and supervisors

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' and supervisors' 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, 2017 and 2016, and thus, the Company was not required to accrue any remuneration to its employees, directors and supervisors.

For information related to earning distribution, please refer to the website of the Market Observation Post System.

( u ) Other income

	2017	2016
Interest revenue	\$ 45,581	41,220
Rental revenue	2,450	2,458
Dividends revenue	28,190	12,321
	\$ 76,221	55,999

( v ) Other gains and losses

	2017	2016
Valuation losses from financial assets and liabilities	\$ (146,185)	(47,148)
Gain on disposal of investments	264,607	71,997
Foreign currency exchange gains (losses)	5,413	(34,385)
Impairment loss on financial assets	\$ (148)	(79,414)
Others	(48,995)	(120,445)
	74,692	(209,395)

( w ) Finance costs

	2017	2016
Interest expense	\$ 22,394	33,450

( x ) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2017 and 2016 were summarized as follow:

	2017	2016
<b>EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS</b>		
Change in foreign currency exchange from the Consolidated Company	\$ (370,417)	(11,370)
Change in foreign currency exchange from noncontrolling interests	(9,209)	(19,257)
Reclassification adjustments	(4,910)	-
Change in exchange differences on translation of foreign operation recognized in other comprehensive income	(384,536)	(30,627)
<b>UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
Change in fair value from the Consolidated Company	152,292	488
Reclassification adjustments	(28,165)	34,754
Change in fair value recognized in other comprehensive income	124,127	35,242
<b>SHARE OF OTHER COMPREHENSIVE INCOME ACCOUNTED FOR USING EQUITY METHOD</b>		
Change in foreign currency exchange from associates	(8,480)	(115,143)
Change in fair value from associates	(20)	1,672
Reclassification adjustments	15,883	(2,924)
Change in other comprehensive income from associates	(44,400)	-
Share of other comprehensive income from associates	(37,017)	(116,395)
<b>GAINS (LOSSES) ON EFFECTIVE PORTION OF CASH FLOW HEDGE</b>		
Change from the Consolidated Company	1,109	-

( y ) Financial instrument

1 ) Category of financial instrument

( i ) Financial Assets

	DECEMBER 31, 2017	DECEMBER 31, 2016
Cash and cash equivalents	\$ 3,705,869	4,314,246
Financial assets at fair value through profit or loss – current	5,235	35,660
Derivative financial instruments used for hedging – current	1,109	-
Available-for-sale financial assets Non-current	468,934	377,642
Financial assets carried at cost Non-current	6,712	7,088
Notes receivable, accounts receivable and other receivables (including related parties)	4,291,132	4,795,736
Other current asset other financial assets	-	274,652
	8,478,991	9,805,024

( ii ) Financial liabilities

	DECEMBER 31, 2017	DECEMBER 31, 2016
Short-term loans	\$ 1,250,000	1,279,500
Financial liabilities at fair value through profit or loss – current	91,974	93,639
Notes payable, accounts payable and other payables (including related parties)	5,181,408	5,804,236
Current portion of long-term liabilities	-	1,294,993
Bonds payable	398,426	-
	\$ 6,921,808	8,472,368

2 ) Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2017 and 2016, the maximum amount exposed to credit risk amounted to \$8,478,991 thousand, and \$9,805,024 thousand, respectively.

3 ) Liquidity risk

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

December 31, 2017							
	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>							
Short-term loans	\$ 1,250,000	1,252,139	1,252,139	-	-	-	-
Notes payable	642	642	642	-	-	-	-
Accounts payable	1,857,824	1,857,824	1,857,824	-	-	-	-
Accounts payable to related parties	1,495,734	1,495,734	1,495,734	-	-	-	-
Other payables	1,827,208	1,827,208	1,827,208	-	-	-	-
Bonds payable	398,426	398,426	395,426	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>							
Embedded exchangeable corporate bonds	74,398	74,398	74,398				
<b>FOREIGN EXCHANGE SWAP CONTRACTS USED FOR HEDGING:</b>							
Outflow	8,550	764,801	552,081	212,720	-	-	-
Inflow	-	758,320	546,400	211,920			
				-			
<b>FORWARD EXCHANGE CONTRACTS USED FOR HEDGING:</b>							
Outflow	9,026	787,027	787,027		-	-	-
Inflow	-	771,137	771,137	-	-	-	-
	\$ 6,921,808	9,987,656	9,560,016	424,640	-	-	-



December 31, 2016							
	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
NON-DERIVATIVE FINANCIAL LIABILITIES							
Short-term loans	\$ 1,279,500	1,280,167	1,280,167	-	-	-	-
Notes payable	1,770	1,770	1,770	-	-	-	-
Accounts payable	2,034,685	2,034,685	2,019,104	-	15,581	-	-
Accounts payable to related parties	1,830,568	1,830,568	1,830,568	-	-	-	-
Other payables	1,937,213	1,937,213	1,643,678	-	293,535	-	-
Long-term loans maturing within one year	1,294,993	1,467,060	1,467,060	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES							
Embedded exchangeable corporate bonds	78,102	78,102	78,102	-	-	-	-
FOREIGN EXCHANGE SWAP CONTRACTS USED FOR HEDGING:							
Outflow	2,137	151,281	151,281	-	-	-	-
Inflow	-	149,640	149,640	-	-	-	-
FORWARD EXCHANGE CONTRACTS USED FOR HEDGING:							
Outflow	13,390	612,961	612,961	-	-	-	-
Inflow	-	599,304	599,304	-	-	-	-
OPTION CONTRACTS USED FOR HEDGING:							
Outflow	10	31,627	31,627	-	-	-	-
Inflow	-	32,312	32,312	-	-	-	-
	\$ 8,472,368	10,206,690	9,897,574	-	309,116	-	-

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

4 ) Currency risk

( i ) The Consolidated Company’s significant exposure to foreign currency risk was as follows:

DECEMBER 31, 2017							DECEMBER 31, 2016	
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD		
FINANCIAL ASSETS (NOTE):								
MONETARY ITEMS:								
CLP	\$	65,113	0.05	3,159	234,434	0.05	11,248	
JPY		1,054,040	0.26	279,215	1,113,704	0.28	308,830	
CAD		15,014	23.72	356,179	8,377	23.95	200,588	
USD		235,356	29.85	7,024,878	236,971	32.31	7,656,697	
MXN		577	1.51	872	291	1.56	455	
BRL		44,053	9.02	397,490	52,465	9.91	520,154	
AUD		5,770	23.28	134,322	8,604	23.31	200,586	
							8,196,115	8,898,558

NON-MONETARY ITEMS:

USD	\$	369	29.85	11,017	1,053	32.31	34,013
-----	----	-----	-------	--------	-------	-------	--------

FINANCIAL LIABILITIES (NOTE):

MONETARY ITEMS:

JPY	\$	948,375	0.26	251,229	1,331,837	0.28	369,318
CAD		4,312	23.72	102,284	4,369	23.95	104,614
BRL		26,781	9.02	241,642	24,341	9.91	241,328
USD		174,759	29.85	5,216,184	189,051	32.31	6,108,668
CLP		248,605	0.05	12,061	302,962	0.05	14,535
AUD		2,537	23.28	59,069	3,499	23.31	81,572
MXN		195	1.51	295	923	1.56	1,443
				5,882,764	6,921,478		

NON-MONETARY ITEMS:

USD	\$	534	29.85	15,927	430	32.31	13,896
-----	----	-----	-------	--------	-----	-------	--------

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.

Because the Consolidated Company’ s entities have various functional currencies, it will not be possible for the information of the foreign currency exchange gains and losses of the monetary financial assets and liabilities to be disclosed individually; the said monetary financial assets and liabilities may have a significant impact on the consolidated financial statements of the Consolidated Company. The total foreign exchange gains and losses, including realized and unrealized, were gains of \$5,413 thousand and losses of \$34,385 thousand for the years ended December 31, 2017 and 2016, respectively.

( ii ) Sensitivity analysis

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, account and other receivables, loans, and account 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, 2017 and 2016 would have decreased or increased the net loss after tax by \$8,651 thousand and \$5,088 thousand, respectively, assuming all other variables were held constant.

**5 ) Interest rate analysis**

Please refer to the notes on liquidity risk management and interest rate exposure of the Group'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 Group 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 would have increased / decreased by \$62 thousand and \$0 thousand for 2017 and 2016 with all other variable factors remaining constant.

**6 ) Assets/liabilities measured at fair value**

( i ) 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, 2017				
Assets and liabilities	Total	Level 1	Level 2	Level 3
MEASURED AT FAIR VALUE ON RECURRING BASIS				
NON-DERIVATIVE ASSETS AND LIABILITIES ASSETS:				
Available-for-sale financial assets	\$ 468,934	468,934	-	-
DERIVATIVE ASSETS AND LIABILITIES ASSETS:				
Financial liabilities at fair value through profit or loss current	5,235	-	5,235	-
Derivative financial instruments used for hedging – current	1,109	-	1,109	-
LIABILITIES:				
Financial liabilities at fair value through profit or loss – current	\$ 91,974	-	91,974	-

December 31, 2016				
Assets and liabilities	Total	Level 1	Level 2	Level 3
MEASURED AT FAIR VALUE ON RECURRING BASIS				
NON-DERIVATIVE ASSETS AND LIABILITIES ASSETS:				
Available-for-sale financial assets	\$ 377,642	377,642	-	-
DERIVATIVE ASSETS AND LIABILITIES ASSETS:				
Financial liabilities at fair value through profit or loss – current	35,660	19,029	16,631	-
LIABILITIES:				
Financial liabilities at fair value through profit or loss – current	\$ 93,639	-	93,639	-

( ii ) 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.

( iii) Transfer from Level 1 to Level 2

As of December 31, 2017 and 2016, there were no transfers between level 1 and level 2 of the fair value hierarchy.

**7 ) Assets/liabilities not measured at fair value**

( i ) 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, 2017		December 31, 2016	
		Book value	Fair value	Book value	Fair value
NON-FINANCIAL ASSETS:					
Investment property	\$	40,462	42,573	40,858	50,083

December 31, 2017				
Assets and liabilities	Total	Level 1	Level 2	Level 3
NON-FINANCIAL ASSETS:				
Investment property	\$ 42,573	-	-	42,573

December 31, 2016					
Assets and liabilities		Total	Level 1	Level 2	Level 3
NON-FINANCIAL ASSETS:					
Investment property		\$ 50,083	-	-	50,083

( ii ) 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.

c) The fair value of financial assets at cost which cannot be reliably measured and whose fair value cannot be estimated as there is no quoted price in the market.

( z ) Financial risk management

1 ) Overview

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

- ( i ) Credit risk
- ( ii ) Liquidity risk
- ( iii ) 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.

2 ) 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 Supervisors 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 Supervisors.

3 ) 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.

- ( i ) 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, 2017, and 2016, revenue from each foreign customer does not exceed 5% of the Consolidated Company’ s revenue and therefore, there is no concentration of credit risk.

The Consolidated Company has completed in setting the credit risk management policies, and has established Institutional Credit Review

Committee and Credit Risk Management Department, which are responsible for managing credit policies and client’ s credit risk. Based on the global risk management, credit rating and analysis are required to customers on credit in advance and granted credit limits. For customers who made their payments other than cash, regular reviews on credit limits are required to ensure the creditworthiness of customers. Allowance for bad debt is set based on the credit rating 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 historical collection record of similar financial assets or the possibility of breaching the contracts.

- ( ii ) 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.

- ( iii ) Guarantees

Pursuant to the Consolidated Company’ s policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2017, and 2016, the Consolidated Company has not provided any guarantees to a third party.

4 ) 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 \$3,785,586 thousands as of December 31, 2017.

5 ) 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.



financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines of risk management.

( i ) 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.

( ii ) 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.

( iii ) 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.

6 ) 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.

	DECEMBER 31, 2017	DECEMBER 31, 2016
Total liabilities	\$ 7,796,592	9,460,306
Less: cash and cash equivalents	(3,705,869)	(4,314,246)
Net debt	4,090,723	5,146,060
Total equity	9,407,770	9,930,590
Debt to equity ratio	\$ 43.48 %	51.82 %

As of December 31, 2017, the methods of the Consolidated Company’s capital management remained unchanged.

7 / RelatedWparty 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
Mingrui Electron (Chengdu) Limited Company	An associate
Bothhand Enterprise Inc.	An associate
Miiicasa Holding	An associate
Miiicasa Taiwan Inc.	An associate
Cameo Communication, Inc.	Director of Cameo

( b ) Significant related party transactions

1 ) Sales

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.

	2017	2016
Associates	\$ 438	353
Other related-parties	45	-
	\$ 483	353

2 ) Purchases

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.

	2017	2016
ASSOCIATES :	\$ 4,553,404	5,067,071
Alpha	4,253	25,180
Others	1,728,435	2,009,858
OTHER RELATED-PARTIES :		
Cameo	6,286,092	7,102,109

**3 ) Accounts receivable due from related parties**

The accounts receivable due from related parties were as follows:

Account	Related party categories	2017	2016
Associates – Alpha	Other receivables	\$ 5,707	6,933
Associates – Alpha	Accounts receivable	289	-
Associates – Others	Accounts receivable	\$ 189	161
Other related-parties – Others	Other current assets	12	-
		6,197	7,094

In 2017 and 2016, other gains and losses from rent and others were \$28,907 thousand and \$9,748 thousand, respectively. In 2017 and 2016, other gains and losses from supervisions reward of Bothhand were \$1,505 thousand and \$1,168 thousand, respectively.

**4 ) Accounts payable to related parties**

The accounts payable to related parties were as follow:

Account	Related party categories	2017	2016
Associates – Alpha	Accounts payable	\$ 1,129,719	1,250,233
Associates – Alpha	Other payables	27,776	35,334
Associates – Others	Accounts payable	\$ 188	4,392
Associates – Others	Other payables	68	116
Other related-parties – Cameo	Accounts payable	365,827	575,943
Other related-parties – Cameo	Other payables	3,718	5,096
		1,527,296	1,871,114

**5 ) Services purchased from related parties**

The services purchased from related-parties were as follows:

	2017	2016
<b>ASSOCIATES :</b>		
Alpha	\$ 53,963	109,655
Others	5,099	10,829
<b>OTHER RELATED-PARTIES :</b>		
Cameo	15,370	16,783
	\$ 74,432	137,267

**6 ) Property transaction**

( i ) Property, plant and equipment acquired

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

	2017	2016
<b>ASSOCIATES :</b>		
Alpha	\$ 19,667	15,636
<b>OTHER RELATED-PARTIES :</b>		
Cameo	9,748	8,306
	\$ 29,415	23,942

( ii ) 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 \$2,843 thousand was recognized under other non-current liabilities; and the realized profits of \$17,892 thousand was recognized under other gains and losses.

The details of the abovementioned transactions were summarized as follows:

Account	Related party categories	2017	2016
Other non-current liabilities	Associates	\$ 2,843	3,525
Other gains and losses	Associates	\$ 682	682

**( c ) Key management personnel compensation**

Key management personnel compensation comprised:

	2017	2016
Short-term employee benefits	\$ 60,343	63,028
Post-employee benefits	1,627	1,879
Share-based payments	1,807	3,669
	\$ 63,777	68,576

**8 / Pledged assets**

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	2017	2016
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	\$ 78,518	74,597

## 9 / Commitments and contingencies

( a ) Ericsson, Inc. and Telefonaktiebolaget LM Ericsson filed a lawsuit against the Company and its subsidiary, D-Link Systems, on September 14, 2010, alleging that some of the D-Link Systems' products infringed its patents. The Company has retained its attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

( b ) The US Federal Trade Commission (FTC) filed a lawsuit against, D-Link Systems in January 4, 2017, alleging that the Routers and IP Cameras sold by D-Link Systems in the US could possibly have security loopholes. However, D-Link Systems believes that the said matter was falsely claimed by FTC and has retained its attorneys in US.

( c ) XR Communications, LLC and dba Vivato Technologies filed a lawsuit against, D-Link Systems on April 3, 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 does not believe the litigation will have any significant impact on its current operations.

( d ) The Company's subsidiary, D-Link Brazil, had disputes regarding prior year's declaration of VAT and 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.

( e ) 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 lawsuits that are in the negotiation process, and therefore the liabilities are unclear. The Company has accrued the possible expense, and therefore significant losses are unlikely. In addition, the Company' s products are purchased from outside sources, and therefore when certain products are alleged to infringe on patents, the Company will ask the supplier to take action in resolving the lawsuit and be responsible for all costs related to the lawsuit or settlement.

( f ) As of December 31, 2017 and 2016, the Consolidated Company's outstanding stand by letter of credit for purchasing inventories were \$45,655 thousand and \$16,901 thousand, respectively.

## 10 / Losses due to major disasters: None.

## 11 / Subsequent events

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Consolidated Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$58,723 thousand and \$823 thousand, respectively.

## 12 / Other information

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

Account	2017			2016		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
EMPLOYEE EXPENSES						
Salaries	\$ 91,960	2,379,429	2,471,389	110,508	2,853,605	2,964,113
Labor and health insurance	1,900	121,992	123,892	2,276	140,856	143,132
Pension	10,281	122,247	132,528	10,927	136,636	147,563
Others	9,906	283,699	293,605	13,467	355,659	369,126
Depreciation	1,858	135,344	137,202	1,567	142,965	144,532
Amortization	460	44,913	45,373	604	50,454	51,058

## 13 / 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 equipment and wireless communication products. The Consolidated Company's reportable segments are strategic business units that offer geographical products and services.

( a ) segment profit or loss, segment assets, segment liabilities, and their measurement andreconciliations.

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.

2017					
	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
REVENUE:					
Third-party customers	\$ 3,345,713	4,584,509	11,385,857	-	19,316,079
Inter-company	5,466	6,763	5,330,805	(5,343,034)	-
Total revenue	3,351,179	4,591,272	16,716,662	(5,343,034)	19,316,079
Reportable segment profit (loss)	(302,263)	44,773	(343,624)	475,886	(125,228)



2016

	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
REVENUE:					
Third-party customers	\$ 4,718,990	4,747,596	13,455,212	-	22,921,798
Inter-company	21,326	6,791	5,850,307	(5,878,424)	-
Total revenue	4,740,316	4,754,387	19,305,519	(5,878,424)	22,921,798
Reportable segment profit (loss)	(622,957)	(116,494)	(1,361,374)	1,311,451	(789,374)

	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
REPORTABLE SEGMENT ASSETS:					
December 31, 2017	\$ 3,302,560	2,198,964	25,913,442	(14,210,604)	17,204,362
December 31, 2016	3,995,119	1,772,647	28,911,599	(15,288,469)	19,390,896

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenues after deducting the intergroup revenues were \$5,343,034 thousand and \$5,878,424 thousand in 2017 and 2016, 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 customers of the Consolidated Company was as follow:

Products and services	2017	2016
Switch	\$ 7,019,340	7,252,333
Wireless	5,690,322	8,204,129
Broadband	2,561,908	2,314,978
Digital Home	\$ 1,600,761	2,401,343
Others	2,315,556	2,640,246
Service revenue	128,192	108,769
Total	19,316,079	22,921,798

( c ) Geographic information

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, but excluding financial instruments and deferred tax assets.

Country	2017	2016
REVENUE FROM EXTERNAL CUSTOMERS :		
United States	\$ 1,564,740	2,211,822
Europe	4,584,509	4,747,596
Other countries	13,166,830	15,962,380
NON-CURRENT ASSETS		
Taiwan	19,316,079	22,921,798
India	998,906	1,057,575
Other countries	436,759	468,373
Total	707,825	764,610
	\$ 2,143,490	2,290,558

( d ) Major customers

There were no individual customers representing greater than 10% of consolidated revenue in 2017 and 2016. ■



D-Link, D-Link logo, D-Link sub brand logos, and D-Link product trademarks are trademarks or registered trademarks of D-Link Corporation and its subsidiaries. All other third party marks mentioned herein are trademarks of their respective owners.

Copyright ©2017 D-Link Corporation. All Rights Reserved.

