D-Link®
Building Networks for People

ANNUAL **REPORT** 2015

INNOVATION · HERITAGE · EXECUTION

Financial **Highlights**

NT$ in thousands

	2015	2014
Net Sales	26,614,479	30,305,802
Gross Profit	6,433,117	8,273,704
Operating Income (Loss)	(1,587,130)	307,025
Income (Loss) Before Tax	(2,092,000)	143,457
Net Income (Loss)	(1,825,737)	111,461
FX Rate (USD to NTD)	31.899	30.355
Cash & Cash Equivalents	3,917,389	3,613,497
Total Assets	21,262,619	25,410,110
Long Term Loans	150,000	0
Shareholder's Equity	11,045,559	13,201,632
Shares Outstanding **	632,804	620,948
FX Rate (USD to NTD)	33.066	31.766

** in thousands

Letter to Shareholders, Customers, Partners, and Employees

Chairman & Brand Director **ROGER KAO**

President **ANNY WEI**

Challenges and Opportunities

In 2015, macroeconomic factors continued to take their toll on the global economy. Despite this, there were notable achievements for D-Link. The number of mydlink Cloud registered users surpassed 4 million; the Ultra Wi-Fi DIR-890L was recognized as the "Best Router of 2015" by PC Mag; the Wi-Fi Water Sensor DCH-S160 was named WireCutter's "Best Smart Leak Detector"; and the Ultra-Wide 180-degree Wide Eye Series IP camera became the widest consumer IP camera on the market. Meanwhile, Apple, IFTTT and Amazon partnerships forged in the Connected Home range of products, together with the innovative Smart Alarm Detector, increased the usability of our range, provided customers with better connections and gave D-Link even greater currency in 2016.

Still, D-Link did not escape the impact of global forces: China's economic growth slowed; emerging markets went into recession on the back of currency devaluation; and Europe began quantitative easing to resist economic recession and deflation. In the Middle East, increasing political tensions and military conflict led to crashing oil prices and global commodity slumps. The domino effect of these setbacks rebounded around the world.

In addition, D-Link continued to experience intense competition in the networking industry. Moreover, Beijing reacted to worsening conditions by initiating a major government-sponsored program, the so-called "Red Supply Chain," to promote Chinese makers as international brands.

Faced with the onset of these challenges, D-Link's Board of Directors mobilized a new management team and began the task of restructuring the organization, reconfiguring company strategy, and establishing a new corporate vision and direction.

Financial Performance

D-Link's global consolidated revenue totaled NT$26.61bn in 2015, which was a 12% drop from NT$30.31bn in 2014. In US dollars, consolidated revenue was US$834m, or 16% less than the US$1bn of previous years. However, this was mainly due to the euro's currency devaluation and emerging market recessions, which led to weaker market demand.

Meanwhile, operating income fell to NT$6,433m, 22% down from NT$8,273m last year. This was a consequence of the appreciating US dollar leading to higher operating costs and reduced gross profit. Sales performance was not as good as hoped in Q4, and the company could not substantially adjust prices.

In response to market slowdown, the new management team proposed an inventory impairment loss scheme. At the same time, it sped up plans for corporate transformation and optimized the organizational structure to reduce operating costs. With an eye to the future, it increased R&D investment, boosting investment by 25.5% from the previous year.

D-Link went on to report increased operating losses of NT$1.59bn, with the operating profit margin falling between 1% and 6% compared with the previous year. Net loss after tax was NT$1.87bn, with an annual earnings per share of NT$-2.9.

Market Share

In 2015, according to technology research and advisory firm Gartner(1), D-Link ranked first in the Enterprise WLAN market for standalone access points. D-Link shipped 834,100 units, which was an increase of 9.4% on 2014 and its shipment market share was 50.5 %, up from 50.4% the year before. D-Link also topped worldwide vendor revenue for standalone access points at $73.9 million. While market share of revenue was down 12.7% on 2014 at 37.4%, D-Link's share still doubled that of the second-place vendor at 15.9%.

In the Enterprise Ethernet Switch market, D-Link ranked third based on total port shipments (61.056 million ports) for a worldwide market share of 13.4%. Of this, D-Link topped shipments of 100 Mbps switches worldwide with 34.028 million units shipped, or 29.9% of the market. The second-place vendor held a 21.5% share of the shipments market.

Based on revenue share by product category (2), wireless products accounted for 37% of annual turnover, followed by 27% for switches, 15% for broadband telecom, and 21% for digital home and others.

1 Source: Gartner, Market Share: Enterprise WLAN Equipment, Worldwide, 2014-2015

2 Source: D-Link 2015 Financial Report.

A Strong Vision for the Future

Innovation, integration, and brand recognition. These are three of D-Link's core strengths and the assets that we build on as we go forward into an ever more connected world and an increasingly fast, cut-throat industry. Our success over the past 30 years in developing high-performance hardware—such as our IP cameras, routers and switches—is a direct result of playing to these strengths. And yet looking to the future, with our transition into a 'solutions provider', the mission must be expanded into the need to transform into a 'software developer,' as the only way to differentiate ourselves from the competition and remain ahead of the game.

To this end, we continue to build on the powerful mobile management capabilities delivered by our easy-to-use mydlink Cloud services, as well as developing ways to make this user experience excel among the competition. In April 2016, the number of mydlink subscribers surpassed 4 million registered users, as recognition of the trust and support that we have built among our customers globally. At the same time we have plans to establish an inaugural D-Link software lab in Hsinchu, to nurture exceptional software and programming talent, and recruit the country's best minds and technicians.

This new direction, taken together with the existing heritage of our household brand and our longstanding innovation and hard-won expertise, will enable D-Link to grab a greater share of the global networking and technology market, returning us to our position as industry leader.

The Connected Home

The world is realizing, household by household, the potential of the Internet of Things (IoT) to change lives. From switching on the lights when the temperature plunges, to watering the plants from your smartphone while on holiday, IoT can create a world that removes human intervention when we wish it, at the same time as giving humans greater control and therefore peace of mind.

D-Link has long been defined by customer-centric thinking, which means IoT is this company's arena to thrive in. While the first phase of IoT focused on the technology—the smart home products and a safe, intuitive cloud platform—the next phase will refocus on the humans. In other words, in meeting people's growing expectations. D-Link understands people don't necessarily want all their products from one vendor; they want to integrate their favorite devices with the best new devices across a range of manufacturers. To succeed in this new smart home landscape, vendors will need to empower customers to pick and choose seamlessly. Put another way, IoT's second wave is about ecosystems: their extent, openness and interoperability.

Prior to 2010, D-Link was one of the first brands to start creating its range of IoT devices, built upon a secure cloud platform over which to collect and share data. In April 2016, we reached 4 million cloud subscribers. D-Link made its products high-performing and easy-to-use, covering Wi-Fi cameras; motion, water and door sensors; and smart plugs. In 2015, we began pursuing a series of carefully selected, strategic integrations with IFTTT, Amazon, Yale, Nest, Apple, and now, Google.

That's in the home. But at work and beyond, extending out to cities and regions—areas that D-Link has invested significantly in—IoT can, and will, have even greater impact. D-Link knows by doing more; aggressively targeting key partnerships and technological innovation, it can do better than its competitors. While the first phase of the IoT was characterized by fragmentation and relative isolation; the second phase will be owned by partnerships, compatibility and integration. The winners of IoT's second wave will embrace and drive this change.

Innovation Today and Tomorrow

In 2015, D-Link spent a record NT$1.4 billion on R&D, up more than 25% on the NT$1.1 billion spent in 2014.

We understand that in order to stay on top, we must continue to innovate. Remaining not just relevant, but the preferred brand on the cutting edge of Internet technology is no easy task, and D-Link knows what it must do to regain that position. We certainly have what it takes. We were and remain the first company to offer a consumer IP camera with a 180-degree wide view, stretching the 130-degree view offered by competitors by a further 38%.

We will be one of the first manufacturers to make an Apple HomeKit-enabled camera and one of the few brands integrated with IFTTT with a complete Smart Home range that includes not only sensors, siren and plugs, but also cameras. We are also one of the first brands that has natively integrated with the Amazon Alexa Voice Service under its Smart Home category. And with future plans to open an exciting, new software hothouse in Taiwan, we are continuing our aggressive pursuit of technological advances that will deliver the solutions our customers want and need in the years to come.

Global Service, Local Touch

Much of D-Link's success over past decades has benefited from and also fed into our international brand recognition. Both synergies are a result of our potent globalization strategy. With offices in more than 60 countries around the world, D-Link is already widely recognized as a phenomenal brand able to leverage powerful global and local knowledge, expertise and relationships. By developing localized applications, D-Link can be highly responsive to local customer needs, giving it a critical advantage across markets and product segments. Looking ahead, a renewed focus on expanding and improving our relationships with sales channels in all countries and at all levels (retailers, distributors, ITSPs and SIs) will ensure that more of our products and services are able to reach the customers who can benefit from them the most, while reducing risk and cutting costs.

Outlook

In the midst of challenging economic conditions and continued technological advances, D-Link continues to be responsive and to adjust our global strategy accordingly. This means seizing new opportunities for joint-ventures and improved sales channel relationships in countries where we have the potential to make huge gains such as in Emerging Markets, while keeping the foot on the pedal in our large markets like the United States and capitalizing on our market dominance in countries such as India.

But it also means mitigating risk in times of worldwide economic instability. For example, we are restructuring our global operations to extract out as much efficiency as possible. We continue to renegotiate business contracts within at-risk nations to more accurately reflect the relative strength of local currencies, in order to better shield ourselves from the negative effects of unstable foreign currencies and thus improve our bottom-line performance.

IoT presents a unique opportunity for D-Link to respond to consumer hopes and expectations and to be part of a revolution that is changing our daily lives as we know it. Now we are seizing on strategic integrations with other brands that will make these products and the solutions we offer our customers truly connected to their lives and really able to enhance people's lifestyles.

In fact, this trend runs through everything D-Link does. We have a very strong hardware base across a full range of products from switches and cameras to routers and network video recorders. Now the opportunity is to excel with software and integrations that enhance our solutions and provide an unrivalled User Experience.

Notwithstanding overall negative growth, D-Link continues to rise in prominence and improve its market penetration in its regions, with growth anticipated beyond the current dip. Looking forward, D-Link's business strategy will focus on doing everything to return to profitability. This includes reducing operating costs, organizational restructuring, product positioning, and the investment of high value-added cloud applications and services.

In addition, recentering the company's focus while using partners and vendors to service the non-core market, customization of marketing strategies, and aggressively avoiding wastage will all combine to ensure D-Link's road to recovery is swift and steady.

We extend our gratitude for the long-term trust and support of our shareholders, as well as that of the management team and staff who have continued to uphold the spirit of sound management, sustainable development, and corporate social responsibility. Through collaborative efforts, D-Link will achieve its performance targets and return to continued growth and prosperity for our valued shareholders.

Globalization through **Localization**

LOCAL MARKET UNDERSTANDING, INTERNATIONAL PRESENCE

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.

Emerging Markets, **Asia-Pacific Region**

Despite worsening macroeconomic forces, D-Link was able to reverse the trend in some regions, particularly in India.

Many emerging market economies suffered a turn for the worse in 2015 as they fell victim to devaluing currencies, as well as political and social unrest. Still, D-Link found ways to realize gains.

In 2015, India's IT industry continued to lead the country's economic transformation, in turn creating huge opportunities for IT vendors, despite a devalued Indian Rupee. The government's current Digital India initiative is an ambitious project that is set to fast track the growth momentum. Under the Digital India program, the government has set an ambitious plan to build 100 smart cities across the country. Further Rural Broadband for All, Universal Mobile Access, WiFi in Varsities and Public WiFi Hotspots are the core agendas of this digitization program. As a result, Internet connectivity will be crucial, and therefore offers huge business opportunities for a brand like ours. In addition, a graduate-educated, English-speaking labor force has uniquely positioned the country as the world's IT outsourcing hub, placing the IT industry at the heart of the country's boom. And as global firms are valuing India for its intellectual capital and not just its cost competitiveness, Foreign Direct Investment in-flows are increasing with the establishment of innovation centers and expanding business operations. With India already one of the world's biggest bases for new businesses, the number of firms investing significantly in their network infrastructure is rising. That, coupled with India's position as one of the world's largest Internet user bases, has created an exploding demand for mobile, 3G/4G, cloud and networking products.

For D-Link, strong brand recall, a pole market position as a quality end-to-end player, and an extensive distribution and support infrastructure, have allowed the company to exploit India's growth environment. In 2015, D-Link expanded beyond the consumer and SMB/SME segment in which we enjoy market domination, to make gains in the enterprise sector. Despite competition from low-end brands, the result was D-Link's revenue grew by over 19%, from Rs.583.76 million in 2014 to Rs.700 million in 2015. Ranked No. 1 in both the switching and WLAN segments, D-Link owned a lion share of those markets with switch port shipments at 45%, wireless unit shipments at 52%, and wireless revenue at 30%. In fact, D-Link enjoyed growth in most business segments, particularly in consumer wireless with ISPs and through major telecom contract requirements for ADSL broadband products. By combining Active and Structured cabling products, D-Link was able to uniquely offer Enterprise & SMB clients a complete networking range.

Premium customer support, channel engagement, and an expansive distribution network continue to be D-Link's prime strategies. The result is that D-Link is one of the most trusted brands among a 17,000-plus channel and re-seller network. Every day, D-Link offers world-class service to customers through a core nationwide network called "D-Link Direct Service" (DDS), as part of a broader ecosystem of nearly 250 locations, facilities and partner pick-up points. In 2015, dozens of awards recognized D-Link's many achievements in India, including NCN's "Best Networking Solutions Company" and "Best Wi-Fi Product"; Europe Business Assembly Award's "Best Enterprise (IT & Computer Networks)"; and the SME Channel Awards' "Networking Vendor of the Year."

In addition, Connected Home made a big entry in India in 2015 through the 24-city series of roadshows named "D-Link Connections," targeted at the channel. For medium-to-large enterprises and specifically targeted at systems integrators, D-Link created the roadshows known as "Pinnacle 2015," These events showcased switches, IP surveillance, storage, software and structured cabling products across 10 cities. Mass multimedia campaigns were also aimed at consumers and channel partners, including the "No. 1 in WLAN" campaign, which reinforced D-Link as the undisputed wireless brand in India.

In 2015, the Middle East and Africa (MEA) plunged further into political instability, low oil prices and a credit crunch due to changed banking rules, USD rate fluctuations and forex shortages. In addition, D-Link experienced fierce competition from enterprise vendors—Ubiquiti and Cisco—as well as entry-level wireless vendors. In spite of these challenges, D-Link was able to maintain its top-2 position, tripling LTE retail revenue, increasing Smart Switches sales year on year by 30%, and boosting annual turnover by 10%.

D-Link was able to convert key business drivers—the need to always stay connected; the need for newer, ever-faster networks; and new IP Surveillance laws governing schools, hotels and hospitals—into new business. Making up the bulk of sales in the region were 4G mobile products; 11AC wireless networks as a result of upgrading 11N; and High-Power POE Switches and Structured Cabling Solutions to telecom service providers.

D-Link's combination of strong partner relations cultivated through one of the region's longest-standing partner programmes, our extensive local support centres, and fast market reaction combined to attract ITP Publishing Group's "SMB Networking Vendor of the Year" and CPI Media Group's "Best SOHO Connectivity Vendor" awards. Major clients won were the UAE's Department of Transport's Al Ain Bus Station, the 700-room Diamond Inn Hotel in Mecca in the Saudi Arabia and the UAE telecom service provider Etisalat.

In Australia and New Zealand, the mining boom's demise continued to slow growth, with currency devaluation and tightening budgets impacting spending. Still, D-Link managed to climb to the No. 2 spot in the National Retail segment, up two places in the last 3 years, and to maintain strong positions in the SMB and Service Provider segments with a continued focus on high-end premium products.

By adopting the strategy of being first to market with high-quality products, D-Link was able to position itself as a brand leader, especially in Wireless 11AC and Modem Router products, which made up 30% of revenue in the region. One of the region's most important products was the award-winning Taipan DSL-4320L Modem Router, developed for the local Australian and New Zealand market, and promoted as the fastest modem router available in the world today. TAIPAN's first-to-market strategy was replicated again with the PowerLine AV2 2000 Network Kit DHP-701AV; the first AC600 PowerLine Starter Kit DHP-W313AV; and the first orb-shaped AC1900 Wi-Fi USB Adapter DWA-192.

Two years ago in the region, D-Link launched the highly successful SMB Rewards Program, which offers exclusive promotions and product releases direct to customers. The SMB segment continues to be a core growth focus with D-Link positioning itself strongly as the provider of complete, end-to-end solutions and a rewards program that boasts 800 registered users.

Although emerging markets continued to pose significant challenges to multinational firms in 2015, D-Link was able to pursue many unique local initiatives. Through increased innovation and a strong emphasis on customer service, D-Link drove demand for the highest quality, custom-tailored products in diverse regions, all the while laying the foundations for growth in the upturn.

CASE STUDY | ETISALAT

Emirates Telecommunications Corporation, or Etisalat, is the UAE's leading telecommunications provider operating in 18 countries across Asia, the Middle East and Africa. In the UAE, it has 11.6 million residential customers and over 300,000 large, medium and small enterprise and government customers.

Known for establishing several "firsts" over the past four decades, Etisalat deploys innovative technologies and services to remain at the leading edge of customer experience. In 2012, it was named the most powerful company in the UAE by Forbes Middle East. In such a competitive environment, differentiation was the key to D-Link's successful bid. D-Link began pursuing Etisalat in 2008, and landed its first deal in 2010. We offered a combination of high-performance locally customized products coupled with competitive pricing, the fastest delivery of any vendor through our state-of-the-art logistical hub in the country, and premium high-level, local support.

These elements have ensured we have remained Etisalat's preferred supplier over the years, building a strong mutual trust that has seen business grow successfully over several projects. The largest share of the business relates to routers, with D-Link continuing to offer upgrade programmes over time, from wireless protocol N right through to AC technology, with AC1200 the latest upgrade performed. The Etisalat UAE account is today worth USD20 million every year.

▲ DIR-850L and DIR-879

North **America**

Combining the momentum and branding gains of the Ultra Series Wi-Fi Routers with compelling new 180-degree offerings in the Wi-Fi Camera space, D-Link solidified its position as a networking leader, while expanding product breadth to meet customer needs and drive growth. Expansion into new retail and distribution channels brought D-Link connectivity solutions to more consumers and IT customers.

On the home networking front, D-Link launched its Ultra Series in early 2015, a new line of routers featuring bold styling and world-class 11AC performance. This highly successful launch led to a flurry of media activity, culminating in the DIR-890L being named PCMag's "Router of the Year." Alongside some of the world's fastest Wi-Fi speeds, the Ultra Series routers boast next-level connectivity technology including Tri-Band, Smart Beam and Smart Connect. The Ultra Series joined D-Link's range of 11AC Wi-Fi Routers designed to meet different needs and price points, delivering both quality and value in a continued bid to win within the swelling 11AC market.

D-Link continued to lead and innovate within the Wi-Fi Camera category with its latest addition: the 180-Degree Ultra-Wide View Wi-Fi Camera, allowing you to see more of your home with a single device. With full 1080p HD quality video, unique de-warping technology, push alert notifications, and the widest angle lens on a fixed camera, the 180-Degree Ultra-Wide View Wi-Fi Camera is both feature rich and an attractive DIY home security option. Well-received by leading reviewers from PCMag, CNET, FOX Denver, and many others, D-Link was able to leverage dozens of positive reviews to build legitimacy and perceived value with prospective customers.

In addition to our continued, strong retail presence at Best Buy, which includes a range of Wi-Fi Cameras and the DNR-202L solution, D-Link achieved a big win in securing national shelf space for Wi-Fi Cameras at Target. In other exciting news, D-Link sold over 90,000 DAP-1520 Wi-Fi Extenders in warehouse club stores, an incredible success for both the product and our brand.

In the Enterprise market, D-Link continued to grow revenues and expand its market share with business-class Smart-managed and Fully-managed Ethernet switches leading 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, VPN routers, and network storage products.

In 2015, D-Link made 10-Gigabit Ethernet affordable for businesses of all sizes with the launch of the new DXS-1210 Smart-managed 10-Gigabit switches. D-Link also launched the Vigilance line of IP cameras. Simple and affordable, Vigilance cameras provide security professionals with essential features and quality, at a competitive price.

Design wins continued to drive revenue in 2015. Key vertical markets served include multi-tenant communication providers, manufacturing industries, retail and hospitality, and medical equipment manufacturers.

2015 was a record-breaking year for D-Link US in the service providers market. D-Link expensed our relationship with major tier-1 MSOs, Telcos, Satellite and Mobile Operators resulting in a series of wins for the company to provide broadband, digital home and mobile solutions to a wide customer base.

D-Link utilized strategic digital marketing techniques to communicate to consumers across North America. Expanded advertising campaigns that included directly advertising on Amazon.com properties proved to be valuable in driving momentum on product launches and increasing purchase conversions. Utilizing additional marketing levers including Google AdWords, YouTube video advertising, billboards, search and remarketing, the company continued developing and delivering compelling brand collateral across a wide range of engagement channels. D-Link also engaged with customers at a deeper level via a growing Facebook and Twitter community. While on the B2B front, the company grew a significant following on SpiceWorks, the leading social network among IT administrators and directors.

CASE STUDY — SCHOOLS NETWORK OVERHAUL EMPOWERS STUDENTS AND TEACHERS

Livingston school district in Southeast Texas serves over 5,000 students on six campuses with over 700 employees. It is home to three elementary campuses, one intermediate campus, a junior-high school and high school. Yet the district's underlying IT network was a constant struggle.

"It was like a baby gorilla. It was easy to control at first, but as the network grew, it became this giant creature that nobody could control. It did what it wanted, when it wanted," said Technology Director Kip Robins, who joined in April 2015.

Comprised of multiple vendors - including D-Link, the unmanaged network had no security protection and suffered from lack of a network design, configuration and on-site technical knowledge.

Adding pressure was a push next year by the school district superintendent to start a 1:1 (one to one) technology program, issuing each student with an electronic device.

"That was a big driver," said Robins. "The teachers were scared to death because the network couldn't support digital learning for 3,000 4th through 12th-grade students across three campuses. The pressure was on to get the network up to speed—and we only had a few months."

Everyone agreed that a network upgrade was critical. As a Cisco-certified technician, when Robins arrived and learned that D-Link would provide the solution, he wanted to cry. Robins tried unsuccessfully to convert the order to Cisco, but the difference would cost about $250,000.

However, it didn't take long for D-Link to win Robins over.

"I'm certified in project management, so I like to see an entire project organized and laid out on paper," he said. "On our first day of planning, D-Link Professional Services team came in with timelines, and clear ideas that were in conjunction with mine. The trust began to build when I realized this team knew what it was talking about."

The end-to-end solution that D-Link delivered was a series of 10GB managed Layer 3 switches, plus Gigabit PoE switches to support an upcoming VoIP implementation, wireless access points and a unified wireless controller. All this provided secure connections, faster speed, enhanced performance and improved manageability. D-Link sent two of its top wireless experts to and ensure the network could handle 3,000 new devices in a matter of weeks.

"The fact that we were able to go from network design to full working implementation within five months was surprising, because [my colleagues] had spent years trying to fix many of these problems," said Robins.

"The overall level or organization from D-Link was very impressive," said Robins. "In addition, D-Link did things for our small district that no other vendor would have done. I even got a direct call from one of the D-Link executives who provided his personal cell phone number, in case I needed anything."

On day 1 of the network go-live, everyone was holding their breath.

"We fully expected to have at least a few problems," said Robins. "But there were none. Not one issue, which is practically unheard of. That simply never happens."

Because of this, the district was able to accelerate the timeline for its entire 1:1 technology device rollout to under one week. And with a stable network, teachers now have the confidence they need to plan their daily lessons around a digital curriculum and positive communication with parents has increased dramatically.

"Today our teachers and students are delving into digital learning more efficiently than they ever imagined," said Robins. "Our district is 76% low income, so many of these students would never have had this type of opportunity in the classroom."

"I don't get any complaints about the network anymore and my phone literally never rings. D-Link has made my job here incredibly easy," he added.

Europe

Innovation and Partnerships Secure Strong Foothold in the Smart Home Market.

Macroeconomic and currency exchange factors may have conspired to curb global IT spending in 2015, but accelerated revenue growth for enterprise networking and the juggernaut that is the IoT focused our attention on new markets and opportunities.

A commitment to develop our services business bore fruit with 17% growth, while business sales continued their upward trajectory of the past few years, achieving 35.4% of total sales, as we cemented our focus on the consumer.

With technology transforming virtually every business sector, our focus centred on growth opportunities with higher margins in the expanding technology areas of smart home, camera and mobility, wireless AC and business solutions as well as developing new channels to market.

Billed as the year of the smart home, 2015 saw this exploding market take centre stage, as we deepened our foothold with continued investment in mydlink Lite and the mydlink Home Ecosystem, including new additions such as the Home Security Starter Kit, as well as a partnership with nPower, NEST Labs and Yale.

Building on our vision to make the connected home a reality for all, the mydlink Home app was trialled by 300 homes in the Midlands, UK, as part of an nPower initiative to better understand how consumers use this kind of technology. This investment in third party devices has expanded the capabilities and functionality of our offering to leave us well-positioned to capitalise on a market set to reach over $72 billion per annum in just four years, according to research from Juniper.

An endorsement of the strength of our proposition came from a number of strategic partnerships, notably our selection as Smart Home Partner, by Europe's largest electrical buying group, Euronics. It's selling our products across its flagship stores, while Samsung has incorporated the cameras into its Smart Things offering.

Further project wins came courtesy of Europe-wide telecom providers, Telecom Italia, Wind, Deutsche Telecom, and Telefonica 02, which in the latter case saw the mydlink Home range stocked across all 1,300 stores in Germany. Through these channels, consumers have had the benefit of service provider expertise to simplify the installation process while capitalising on D-Link's heritage as a provider of a secure cloud platform.

Security cameras emerged as a priority device for consumers wanting to make their home smarter, and we consolidated our market leading position in Europe for both consumer and business cameras with a 67.9 per cent share according to sales data specialist, Context. We established new routes to market through agreements with Deutsche Telecom, Mobilcom, CPG, Wind and Telecom Italia. Another success, was the 10.32% growth of our mobile offering with Telenor Norway, CPG, Play, Vodafone Romania and T-Mobile creating further routes to market, while our leading position in the video surveillance market was maintained. Switches also grew by 13.58%.

In an otherwise positive year, we saw a 5.26% decline in wireless and 24.93% decline in storage.

In summary, as we mark our 30th year, we have a strong proposition combining proven heritage with forward-looking innovation, which has enabled us to achieve strong inroads in the new technology markets. We're committed to leading through design and innovation, as growth across our key areas of video surveillance, smart switching, business wireless, and home automation has come down to the strength of the product and our broad portfolio. This will continue to expand and evolve to meet customer expectations, which have never been higher as the balance of power shifts from company to consumer.

CASE STUDY

The Hotel Atlantic Kempinski, Hamburg, Germany

At the Hotel Atlantic Kempinski in Hamburg, Germany, a 107-year heritage goes hand in hand with state of the art Wi-Fi, to meet the high-performance,'anywhere, anytime' technology demands of today's guests.

When the previous outdated infrastructure was deemed no longer fit for purpose, the business turned to D-Link's wireless LAN to deliver a rapid and reliable network connection with Power-over-Ethernet functionality and a diverse range of security features.

Following a quick and seamless installation, the benefits were instant. Access points based on the latest AC technology assured high-speed Wi-Fi connections over a long range and can be used simultaneously by several hundred participants. The business' IT manager is now working on further applications to capitalise on the potential.

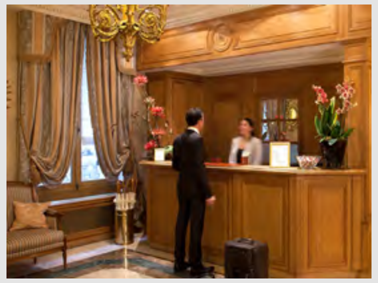
▲ Hotel Atlantic Kempinski

Hotel Mayfair, Paris

A flawless security system was critical for Hotel Mayfair in the heart of Paris, which is frequented by an affluent overseas clientele.

With no security guards on the premise, video surveillance has always been the heart of the hotel's security proposition. Impressed by the depth of the product range and quality of the technical and sales support, a decision was made to install 23 D-Link cameras across the hotel. With high definition and image enhancement capabilities, 21 full HD DCS-6314 dome cameras were installed inside the venue and two HD DCS-7110 bullet cameras were positioned outside.

The devices enable unlimited camera recording as soon as adequate storage capacity is installed, and offer the flexibility for the hotel to create its own installations around a consistent and proven product set.



▲ Hotel Mayfair

Wincheap Foundation Primary School

With electronic learning becoming increasingly embedded within Wincheap Foundation Primary School, D-Link's network solution has evolved accordingly since its introduction in 2008 to drive computer-based learning.

Now host to a total of 200 connected devices including laptops and computers, the Canterbury-based school called on D-Link once again to upgrade the infrastructure with a high-speed Wireless AC Router to accommodate the increased network demands. With speeds of up to 1.3 gigabits per second, the solution has brought a threefold rise in network capacity, easing congestion and allowing more devices to connect seamlessly to the network. The result has seen the electronic register process improve significantly and the overall management of the network simplified.

▲ Wincheap School

Consumer **Solutions**

A move toward the Internet of Things, drones, and virtual and augmented reality is driving the development of multi-sensors, powerful networking solutions, and improved user experiences.

As the boundary between our physical and digital worlds continue to dissolve and be reinvented, from the peace-of-mind element of checking baby and grandma are doing OK at home while you are still at work, to escaping into the world of Virtual Reality, people's 'freedom' and their richness of life will depend on the technologies that enable them to cross and merge these physical and digital lives.

As such, key to setting people 'free' are the range of next-generation sensors, digitizing technologies and, of course, the high-performance wireless networks that power them. The principle of the Internet of Things is founded on increased machine-to-machine interactions where humans no longer need to intervene in simple transactions, for example to switch on the lights when they get home or to snap a camera and email the image if motion is detected in the house while you are away.

This is the Smart Home, where smart sensors connected to the Internet can interact independently with household gadgets to create simpler, more convenient lifestyles for families. D-Link has stayed ahead of the curve in relation to these technologies. Over many years, it has created a broad, robust, and well-respected Connected Home range, which includes IP cameras, smart plugs, smart sensors, and sirens.

Key areas of D-Link's focus have been increasing bandwidth capacity, developing easy-to-use cloud-enabled interfaces for end-users lacking technical know-how, and improving our cloud connectivity itself. Powered by the user-friendly mydlink interface, our Cloud Camera, Cloud Router, and Connected Home devices have already won over global consumers. In 2015, the number of global mydlink Cloud registered users exceeded 3.5 million, an increase of more than 1 million registered users in 2015. In April 2016, it exceeded 4 million registered users.

Some of the most exciting products in our cloud-enabled portfolio are our IP cameras, including our new line-up of HD 180° Wide Eye panoramic IP cameras, launched in 2015. These cameras offer HD 720p and 1080p video with 180°- angle remote viewing, 4x digital zoom, 2-way audio, and a microSD card slot for event recording. All of these features can be remotely viewed and controlled by our mydlink lite app. In short, these cameras eliminate the slow movement of Pan-and-Tilt cameras. Combine that with triggers from sensor devices and it can capture video of events happening in real-time leaving you with an increased sense of security and ease.

▲ D-Link home automation products, order left to right is DCS-2630LH, DCS-8200LH, DCH-Z122, DCH-S220, DSP-W215, DSP-W110

At the heart of D-Link's home automation, sits the Z-Wave-enabled Connected Home Hub. Z-Wave is a wireless communications specification that consumes far less energy than Wi-Fi, making it ideal for home automation applications. D-Link's integration with Z-Wave allows our customers to incorporate into their Connected Home many other Z-Wave-compliant brands, allowing us to make D-Link's Connected Home one of the most convenient and interoperable platforms available on the market .

Finally, as homes and workplaces become crammed with more and more devices connecting to the Internet, like multiple laptops streaming HD video on Netflix, routers are becoming the make or break component for many households. Super-fast routers, extenders and powerline adaptors that can guarantee smooth, future-proof operation for consumers in the years to come are in high demand. This is the whole-home Wi-Fi coverage solution that D-Link offers to users, aiming for a reliable, high-performance, seamless Internet environment.

D-Link's position at the forefront of 11AC wireless technology development has been a boon in this goal. Besides being behind the world's first 11AC travel router in 2014, D-Link's DIR-890L Ultra Wi-Fi Router was awarded PC Magazine's "Best Router of 2015" and in 2016 we have begun to roll out the next generation of Ultra Routers, the DIR-885L and DIR895L boasting AC5300 wireless speeds and the advanced, second-wave MU-MIMO technology.

Business **Solutions**

Many SMBs and SOHO customers rely on the powerful and cost-effective networking solutions that D-Link offers.

D-Link understands that behind every great business is an even greater network. D-Link is focused on providing small to medium-sized businesses with complete, end-to-end networking solutions from just one vendor, featuring a full range of hardware and software, total technology integration and superior scalability. By providing a one-stop shop for all Switching, Wireless, Security, IP Surveillance, Storage and Management Solutions, our goal is to allow these enterprises to grow their networks as needed, without redundancy or reinvestment. Dealing with one vendor provides significant cost benefits and peace of mind from an accountability perspective.

Cloud-based wireless management solutions have seen great rises in demand in recent years. D-Link's latest solution, Business Cloud, featuring the DBA series AP, will help SMBs/SOHO customers greatly in managing small-to-medium scale environments with affordable cloud-based management platform benefits. It is already successfully running in Japan, and we foresee that it will be one of the most sought-after solutions that D-Link has to offer in the years to come. As for a non-cloud solution for efficiently managing networks, Central Wi-Fi Manager (CWM) is an innovative new tool designed to help network administrators streamline their wireless access point management workflow via a centralized server. Many of the products from our DAP series of access points already come bundled with CWM, eliminating the need for more costly hardware controllers and making this solution ideal for users spread across large geographic distances, such as retail chain stores.

In 2016, controlled and coordinated AP wireless solutions continued to grow with market revenue forecast to hit 6.1 billion US dollars by 2017. D-Link's offerings for the medium-sized enterprise unified wireless market will include the DWL-8610AP, D-Link's first managed 11AC access point, and the DWC-2000 controller, which supports 64 to 256 access points per controller. The latter has the ability to cluster access points from a maximum of 4 wireless controllers with up to 1,024 APs per cluster group. This setup simplifies deployment, administration, and security while boosting flexibility, improving performance, and cutting costs. Smaller businesses, meanwhile, can turn to the DWL-6610AP or the DWC-1000, which offer similar functionality on a smaller scale.

In the switch market, smart switches have quickly become the mainstream among small and medium businesses, which require the power and flexibility of managed switches without the complexity. Gigabit Ethernet switches are still the mainstream option on the market, and 10 Gigabit Ethernet switches are growing fast but Fast Ethernet ports continue to perform strongly and Power over Ethernet (PoE) is a commonly required feature as the network camera market continues to grow. Thanks to D-Link Green technology, which reduces power consumption 24 hours a day, and Auto Surveillance VLAN, which simplifies setup and integration with D-Link's IP cameras, D-Link's smart switches are some of the smartest in the industry.

Looking ahead, we are particularly excited about the rapidly growing IP surveillance market. As an early mover, D-Link already has a proven track record of providing quality surveillance solutions at reasonable prices, positioning us as an industry leader. Particularly in industries where security is a concern (e.g. at schools) IP surveillance has become a critical necessity for many organizations. D-Link's one-stop solutions offer streamlined integration, easy installation and configuration, centralized management, simplified troubleshooting, and guaranteed interoperability.

Indeed, D-Link's value-added products extend across all areas of the business networking infrastructure, designed to meet the ever-evolving needs of business worldwide, and designating us as a state of the art, end-to-end solution provider.

Service **Provider Solutions**

In 2015, D-Link suffered a substantial drop in its service provider market segment.

D-Link remained successful in delivering high-quality and cost-effective 11AC Wi-Fi products to several major customers in North America, the MiddleEast and in South East Asia. This business ensured that D-Link maintained its market-leading position in the segment.

Looking ahead in 2016, several new products that meet service provider demands will be launched from Q3, including the DOCSIS3.0 EMTA Gateway, GPON ONT, VDSL router, and high-end AC5300 VDSL Gateway, as well as an industry-leading VDSL VPN firewall with an 11AC 4x4 product for Telco ICT, which we believe may bring revenue growth from the third quarter of 2016. In addition to new products, our entry-level ADSL products remain the main revenue generators for our emerging countries in South America, South-East Asia, India, the Middle East, Africa and Russia. D-Link's commitment is to reducing cost while securing the highest quality to meet service providers' needs in terms of services, product quality and lead time.

Some emerging technologies at the development or field-trial stage, including the DOCSIS3.1 / G.fast / G.hn, are expected to launch from 2017. SPBU is co-working with D-Link's main chipset providers and plans to have product prototypes ready by the second half of 2016 to meet early lab tests and later field trials.

With the strong US Dollar, wars, and terrorism remaining threats to economic recovery, SPBU is expecting to face a more challenging year than ever in 2016. Yet with our partners' support and cooperation, D-Link SPBU is confident of providing customers with ongoing support in these dynamic times.

In Russia, due to increasing economic uncertainties, such as falling prices on raw materials as well as inflation and war, service providers reduced their capital expenditure dramatically in 2015 and this sentiment is likely to remain into 2016. Correspondingly, D-Link Russia suffered a decline from 2014 and the region's recovery is not expected until 2017. In Brazil, inflation forced more conservative D-Link shipments in the country. This picture was repeated in developed countries like the UK and Taiwan, where shipments were postponed by two major customers in 2015 as a run-on effect of their own customers cutting expenditure. In addition, many customers are also now planning for the next generation of access products, such as VDSL and GPON.

And yet, while the Service Provider Business Unit's (SPBU) overall performance suffered in 2015, there were rays of light.

Product **Design & Distribution**

For thirty years, D-Link has been at the forefront of developing new technologies and delivering them to consumers and businesses in every part of the globe. Today, our innovation, execution, and heritage serve us well as we strive to bring technology, through our products, ever closer to our customers. This means designing every device with our customers' needs and wants in mind. Thanks to our award-winning product design and powerful distribution networks, we've succeeded globally to both drive and satisfy a growing demand for more stylish, user-friendly and advanced networking solutions at home and in the office.

For consumers, our most innovative products are designed to deliver ease of use, high-performance and head-turning aesthetics. An example is our award-winning AC3200 Ultra Wi-Fi Router, which helped change the design landscape by breaking long-held perceptions of how routers should be hidden away. Instead, we have set a new paradigm of routers that are made for display, featuring bold colors; dramatic and powerful lines; and futuristic and alien imagery.

Our new ultra-performance Ultra Routers are designed for discerning customers and exemplify these premium offerings. Announced in 2015, the next generation of this series, the AC5300 DIR-885L and DIR-895L with second-wave MU-MIMO, offer even more turbo power with tri-band Wi-Fi, SmartBeam technology, band steering, remote management, and a 1GHz dual core processor.

As always, however, our emphasis is on ease of use. In the business sphere, D-Link is designing products that meet the needs of small to medium-sized businesses in terms of easy to deploy networking solutions that boost security and efficiency while being cost-effective. D-Link's unified wireless solutions provide superior wireless coverage and reliability, thereby increasing business productivity and cost efficiency. D-Link smart switches, meanwhile, offer increased security and scalability, occupying the sweet spot between the simplicity of unmanaged switches and the power of managed ones. And of course, one of our most important offerings is IP surveillance solutions that enhance security and provide peace of mind. In every vertical, from education and hospitality to medical, D-Link's integrated one-stop surveillance solutions — comprised of IP surveillance cameras, switches, storage, and software — offer unbeatable flexibility.

D-Link is refocusing its design, bringing its products closer to consumers and making them easy to use, stylish and efficient.

Designing great products is only a part of the story. Our products will only be used if they get to the right customers and this will only happen with strong distribution networks. Our status as a global brand allows our products to be promoted and distributed to customers by people they know and trust. This is the case whether they are in India, the Middle East, Australia, or any of the other 60-plus countries in which D-Link does business around the world. Strategic partnerships and supply chain control create synergies, which allow D-Link to speed up product availability. Highly efficient, coordinated teamwork delivers innovative products in timeframes that competitors cannot match.

D-Link's mission is "Building Networks for People", and our brand proposition is to provide customers with an unmatched networking experience through superior product design and distribution. In this way, we are truly helping to bring our technology closer to our customers.

Corporate **Social Responsibility**

We know that by upholding corporate social responsibility and sustainability, we act not only in our best interests, but also in the best interest of society and our planet, Earth.

As global leaders in the networking industry, D-Link understands that its duty extends beyond merely creating great technology solutions for our customers. We have a responsibility to our customers, staff, other stakeholders and society at large, as well as to the natural environment around us. And because of our global influence, our impacts—economic, environmental, and social—are extensive. Therefore in everything we do, we strive to protect the environment, create a safe and sustainable work environment, and to give back to local communities.

D-Link's environmental record speaks for itself. In 2007, we became the first networking company in the world to register as an ENERGY STAR partner, guaranteeing that our power adapters comply with Level 5 energy-efficiency guidelines. However, it was the 2009 introduction of our D-Link Green technology that really advanced worldwide environmental innovation in networking. Within a year, we had released D-Link Green switches, routers, storage devices, PowerLine adapters, and more. We began to use less and less plastic in our packaging, cutting the weight of a box to less than 0.01kg. Achieving that in 1 million boxes represents a total saving of 10 metric tons of plastic.

In addition in 2010, D-Link obtained ISO 14067 compliance certification for our Ethernet switches, making us the first company to do so. ISO 14064-1 certification followed next in 2011, further proving our commitment to reducing our carbon footprint. Then in 2015, we became Taiwan's first manufacturer to gain certification in the SGS ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System.

In fact, since 2008, we have advocated total "Life Cycle Awareness" in the development of our products. This philosophy ensures that at every stage of a product's cycle — from its initial conception, to the suppliers of its material, all the way to the end of the product's life — we have taken the appropriate steps to reduce its environmental impact. Our second wave of inner product packaging improvements have resulted in a 32% to 48% reduction in volume and weight respectively, showing just how much can be achieved by simple, targeted measures. Our products are also compliant with the EU's RoHS and WEEE standards, demonstrating our pledge to recycle and to avoid the use of hazardous materials, including the total banning of lead and mercury.

What's more, we practice what we preach in our own backyard by targeting environmental improvements in the workplace. Along with more electronic-based operations, trash sorting, recycling, and water and energy conservation, D-Link also provides a NT$10 discount to use your own cup at the café helping to reduce the consumption of disposable paper cups.

Yet we also understand that corporate responsibility extends beyond the environment. Our employees are our greatest asset and we are committed to treating our staff in every part of the world with friendliness, openness and equality. This includes creating a safe and secure workplace that respects harmony in diversity and gender equality, and is free from bias. We value employee development and provide training specific to each employee's position and career development needs. D-Link prides itself on providing outstanding employee welfare to promote staff wellbeing.

Last, but not least, we understand the importance of giving back to local communities. D-Link's Charitable Foundation was founded in 1994, with a motto of "Helping, Caring, and Giving Back to Society." Set up in 2008, D-Link's "Starlight Classrooms" in remote and disadvantaged communities of Taiwan, provide subsidized meals and after-school tuition for children from Grade 1 through Grade 3 in Keelung, Hualien, Taitung, and other areas. On top of this, we also offer computer skills, painting, and kendo classes with the aim of developing the children's knowledge and character by expanding their scope of learning through a diverse curriculum.

Over the years, our charitable foundation has contributed to child and youth welfare, welfare for the elderly, disability assistance, women's welfare, and medical welfare. In 2010, the foundation was graded Level A by the Taipei City Bureau of Social Affairs.

Moving forward, D-Link will continue to emphasize public responsibility, and we will fulfill our pledge to create a better future, today.

Corporate **Headquarters & Board Members**

Roger Kao
Chairman & Brand Director

Douglas Hsiao
Vice Chairman & CEO

BOARD OF DIRECTORS

Yun-Wei Investment Co. Ltd. / Roger Kao	Director
Douglas Hsiao	Director
John Lee	Director
Tai, Chung-Hou	Director
Lin, Shih-Kuo	Director
Alpha Networks Inc. / Huang, Yun-Wen	Director
Jo-Kong Investment Ltd. / Chen, Jui-Hsu	Director
Chung, Shyang-Fong (appointed on 12.06.2015)	Independent Director
Fong, Chung-Perng (appointed in 12.06.2015)	Independent Director
Jie-Shiun Investment Co. Ltd. / Zou, Feng-Yun	Supervisor
Chen, Guan-Zhen (discharged on 25.12.2015)	Supervisor

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THE INFORMATION ON THIS PAGE
IS CORRECT AS OF AUGUST 2016

www.dlink.com

D-LINK CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014
(With Independent Auditors' Report Thereon)

Representation Letter

The entities that are required to be included in the combined financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2015, 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,

D-LINK CORPORATION

By

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ROGER KAO

Taipei, Taiwan, R.O.C
March 24, 2016

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Independent Auditors' Report

The Board of Directors

D-LINK CORPORATION:

We have audited the accompanying consolidated balance sheets of D-LINK CORPORATION and subsidiaries (collectively referred to as the "Consolidated Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Consolidated Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries accounted in the consolidated financial statements, and our opinion on the amounts presented in the financial statements of certain subsidiaries is based on the reports of other auditors. The total assets of the subsidiaries recognized were $993,538 thousand and $4,563,493 thousand, constituting 5% and 18% of the consolidated total assets as of December 31, 2015 and 2014, respectively; and the net operating revenues of the subsidiaries recognized were $2,111,318 thousand and $9,513,827 thousand, constituting 8% and 31% of the consolidated net operating revenues for the years ended December 31, 2015 and 2014, respectively. The investment in associates accounted for under the equity method amounted to $201,402 thousand and $225,363 thousand, constituting 1% of the consolidated total assets as of December 31, 2015 and 2014, respectively; and the related investment income were $39,160 thousand and $(26,815) thousand, constituting (2)% and (19)% of the consolidated income before income taxes for the years ended December 31, 2015 and 2014, respectively.

We conducted our audits in accordance with the generally accepted accounting principles and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants in the Republic of China." Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Company as of December 31, 2015 and 2014, and their financial performance and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretation endorsed by the Financial Supervisory Commission R.O.C.

D-LINK CORPORATION has prepared its parent company only financial statements as of and for the years ended December 31, 2015 and 2014, on which we have issued a modified unqualified opinion.

KPMG

CPA: Gau, Wey-Chuan

Taipei, Taiwan, R.O.C
March 24, 2016

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated statement of financial position

December 31, 2015 and 2014

(Expressed in thousands of New Taiwan Dollars)

	Assets	2015 Amount	2015 %	2014 Amount	2014 %
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,917,389	19	3,613,497	14
1110	Financial assets at fair value through profit or loss — Current (note 6(b) and (m))	71,076	-	66,428	-
1150	Notes receivable, net (note 6(c))	22,499	-	71,733	-
1170	Accounts receivable, net (note 6(c))	4,951,986	23	6,572,585	26
1180	Accounts receivable due from related parties, net (note 7)	96	-	1,361	-
1200	Other receivables (notes 6(c) and 7)	346,493	2	183,151	1
1220	Current tax assets	71,746	-	67,812	1
130X	Inventories (note 6(d))	4,555,857	21	6,663,463	26
1410	Other current assets (note 8)	513,195	2	862,917	3
		14,450,337	67	18,102,947	71
	Non-current assets:				
1523	Available-for-sale financial assets — Non-current (note 6(b))	417,005	2	451,329	2
1543	Financial assets carried at cost (note 6(b))	31,820	-	141,472	1
1550	Investments accounted for using equity method (note 6(e))	3,166,304	15	3,671,905	14
1600	Property, plant and equipment (note 6(h))	1,275,788	6	1,334,928	5
1760	Investment property, net (note 6(i))	41,254	-	41,651	-
1780	Intangible assets (note 6(f) and (j))	715,789	3	680,819	3
1840	Deferred tax assets (note 6(p))	747,678	5	705,153	3
1900	Other non-current assets (note 8)	416,644	2	279,906	1
		6,812,282	33	7,307,163	29
	Total assets	$ 21,262,619	100	25,410,110	100

	Liabilities and equity	2015 Amount	2015 %	2014 Amount	2014 %
	Current liabilities:				
2100	Short-term loans (note 6(k))	$ 1,447,930	7	2,513,548	10
2120	Financial liabilities at fair value through profit or loss — Current (notes 6(b) and (m))	48,954	-	7,587	-
2150	Notes payable	1,833	-	2,176	-
2170	Accounts payable	2,395,516	11	2,922,239	12
2180	Accounts payable to related parties (note 7)	2,138,150	10	3,101,140	12
2200	Other payables (note 7)	2,077,306	10	2,064,655	8
2230	Current tax liabilities	117,305	1	160,359	-
2250	Provisions (note 6(l))	290,663	1	318,181	1
2300	Other current liabilities	100,656	-	194,708	1
2320	Current portion of long-term liabilities (note 6(k) and (m))	-	-	211,237	1
		8,618,313	40	11,495,830	45
	Non-current liabilities:				
2434	Financial liabilities at fair value through profit or loss — Non-current (note 6(b) and (m))	1,904	-	-	-
2530	Bonds payable (note 6(m))	1,125,913	5	-	-
2540	Long-term loans (note 6(k))	150,000	1	-	-
2570	Deferred tax liabilities (note 6(p)	207,675	1	592,282	3
2600	Other non-current liabilities (note 6(o) and 7)	113,255	1	120,366	-
		1,598,747	8	712,648	3
	Total liabilities	10,217,060	48	12,208,478	48
	Equity attributable to owners of parent: (note 6(q))				
3100	Capital stock	6,769,961	31	6,477,557	25
3200	Capital surplus (note 6(m), (q) and (r))	1,969,201	9	2,122,523	8
	Retained earnings:				
3310	Legal reserve	2,296,499	11	2,290,345	9
3320	Special reserve	553,968	3	651,810	3
3350	Unappropriated earnings	358,455	2	2,323,994	9
		3,208,922	16	5,266,149	21
3400	Other equity interest	(678,132)	(3)	(553,967)	(2)
3500	Treasury stocks	(636,895)	(3)	(483,774)	(2)
36XX	**Non-controlling interests**	412,502	2	373,144	2
	Total equity	11,045,559	52	13,201,632	52
	Total liabilities and equity	$ 21,262,619	100	25,410,110	100

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

		2015 Amount	2015 %	2014 Amount	2014 %
4000	**Net operating revenues (notes 6(t) and 7)**	$ 26,614,479	100	30,305,802	100
5000	**Operating costs (note 6(d) and 7)**	20,181,362	76	22,032,098	73
	Gross profit from operations	6,433,117	24	8,273,704	27
	Operating expenses:(note 6(n))				
6100	Selling expenses	5,219,599	20	5,450,997	18
6200	Administrative expenses	1,388,840	5	1,391,263	4
6300	Research and development expenses	1,411,808	5	1,124,419	4
		8,020,247	30	7,966,679	26
	Operating income(loss)	(1,587,130)	(6)	307,025	1
	Non-operating income and expenses:				
7010	Other income (notes 6(n), (v) and 7)	88,797	-	147,462	-
7020	Other gains and losses (note 6(m), (w) and (z))	(521,084)	(2)	(431,404)	(1)
7050	Finance costs (notes 6(m) and (x))	(46,823)	-	(21,696)	-
7060	Share of profit (loss) of associates accounted for using equity method (note 6(e))	(25,760)	-	142,070	-
		(504,870)	(2)	(163,568)	(1)
	Income (loss) before income tax	(2,092,000)	(8)	143,457	-
7950	**Less: Income tax expense and benefit (note 6(p))**	(266,263)	(1)	31,996	-
	Net income (loss)	(1,825,737)	(7)	111,461	-
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit obligation	(6,700)	-	(7,503)	-
8320	Share of other comprehensive (income) loss of associate	(4,582)	-	1,456	-
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(11,282)	-	(6,047)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences arising on translation of foreign operations	(440,364)	(2)	166,706	1
8362	Changes in fair value of available-for-sale financial assets	196,606	1	(82,541)	-
8370	Share of other comprehensive (income) loss of associates	44,253	-	36,097	-
8399	Income tax expense related to items that may be reclassified subsequently	74,780	-	(29,644)	-
	Total items that may be reclassified subsequently to profit or loss	(124,725)	(1)	90,618	1
8300	**Other comprehensive income (loss) for the year, net of income tax**	(136,007)	(1)	84,571	1
	Total comprehensive income	$ (1,961,744)	(8)	196,032	1
	Net income attributable to:				
	Owners of the parent	$ (1,870,831)	(7)	61,543	
8620	Non-controlling interests	45,094	-	49,918	-
		$ (1,825,737)	(7)	111,461	
	Total comprehensive income attributable to:				
	Owners of the parent	$ (2,006,278)	(8)	153,339	1
	Non-controlling interests	44,534	-	42,693	-
		$ (1,961,744)	(8)	196,032	1
	Basic earnings per share (New Taiwan dollars)	$	(2.90)		0.09
	Diluted earnings per share (New Taiwan dollars)	$	(2.90)		0.09

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2015 and 2014

(Expressed in thousands of New Taiwan Dollars)

	Attributable to owners of the parent										
			Retained earnings			Other equity interest					
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses)on available-for-sale financial assets	Treasury stocks	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2014	$ 6,475,803	2,143,135	2,225,584	814,373	3,148,588	(437,302)	(214,508)	(807,960)	13,347,713	248,637	13,596,350
Profit for 2014	-	-	-	-	61,543	-	-	-	61,543	49,918	111,461
Other comprehensive income (loss) for 2014	-	-	-	-	(6,047)	176,128	(78,285)	-	91,796	(7,225)	84,571
Total comprehensive income (loss) for the period	-	-	-	-	55,496	176,128	(78,285)	-	153,339	42,693	196,032
Appropriation and distribution of retained earnings:											
Special reserve	-	-	-	(162,563)	162,563	-	-	-	-	-	-
Legal reserve	-	-	64,761	-	(64,761)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(608,773)	-	-	-	(608,773)	-	(608,773)
Stock dividends	121,754	-	-	-	(121,754)	-	-	-	-	-	-
Other changes in capital surplus:											
Changes in equity of associates using equity method	-	(6,683)	-	-	(60,158)	-	-	-	(66,841)	-	(66,841)
Change in the parent's ownership interests from subsidiaries	-	21,724	-	-	(18,674)	-	-	-	3,050	84,921	87,971
Retirement of treasury share	(120,000)	(35,653)	-	-	(168,533)	-	-	324,186	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(3,107)	(3,107)
	1,754	(20,612)	64,761	(162,563)	(880,090)	-	-	324,186	(672,564)	81,814	(590,750)
Balance on December 31, 2014	6,477,557	2,122,523	2,290,345	651,810	2,323,994	(261,174)	(292,793)	(483,774)	12,828,488	373,144	13,201,632
Profit (loss) for 2015	-	-	-	-	(1,870,831)	-	-	-	(1,870,831)	45,094	(1,825,737)
Other comprehensive income (loss) for 2015	-	-	-	-	(11,282)	(410,156)	285,991	-	(135,447)	(560)	(136,007)
Total comprehensive (loss) income for the period	-	-	-	-	(1,882,113)	(410,156)	285,991	-	(2,006,278)	44,534	(1,961,744)
Appropriation and distribution of retained earnings:											
Special reserve	-	-	-	(97,842)	97,842	-	-	-	-	-	-
Legal reserve	-	-	6,154	-	(6,154)	-	-	-	-	-	-
Stock dividends	310,474	(155,237)	-	-	(155,237)	-	-	-	-	-	-
Other changes in capital surplus:											
Changes in equity of associates using equity method	-	6,529	-	-	(9,257)	-	-	-	(2,728)	-	(2,728)
Purchase of treasury share	-	-	-	-	-	-	-	(186,425)	(186,425)	-	(186,425)
Retirement of treasury share	(18,070)	(4,614)	-	-	(10,620)	-	-	33,304	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(5,176)	(5,176)
	292,404	(153,322)	6,154	(97,842)	(83,426)	-	-	(153,121)	(189,153)	(5,176)	(194,329)
Balance on December 31, 2015	$ 6,769,961	1,969,201	2,296,499	553,968	358,455	(671,330)	(6,802)	(636,895)	10,633,057	412,502	11,045,559

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2015 and 2014

(Expressed in thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities		
Profit (loss) before tax	$ (2,092,000)	143,457
Adjustments for :		
Adjustments to reconcile profit (loss)		
Depreciation expense	164,082	182,061
Amortization expense	46,064	35,906
Provision for bad debt expense	67,587	5,277
Net gain on financial assets or liabilities at fair value through profit or loss	(9,843)	(44,923)
Interest expense	46,823	21,696
Interest income	(40,770)	(52,443)
Dividend income	(1,481)	(19,091)
Share of profit of associates accounted for using equity method	25,760	(142,070)
Gain on disposal of investments	(110,890)	(88,417)
Impairment loss	306,323	11,800
Others	298,833	207,430
Total adjustments to reconcile profit (loss)	792,488	117,226
Changes in operating assets and liabilities:		
Changes in operating assets		
Decrease (increase) in financial assets at fair value through profit or loss	(28,097)	51,090
Decrease (increase) in notes receivable	49,234	(20,267)
Decrease in accounts receivable	1,559,692	111,994
Decrease in accounts receivable due from related parties	99	2,125
Decrease in other receivable	(166,248)	(24,889)
Decrease (increase) in inventories	1,805,171	(657,943)
Decrease (increase) in other current assets	347,695	(187,512)
Increase in other non-current assets	(150,443)	(196,281)
Total changes in operating assets	3,417,103	(921,683)
Changes in operating liabilities:		
Increase (decrease) in notes payable	48	(8,930)
Increase (decrease) in accounts payable	(524,930)	283,772
Decrease in accounts payable to related parties	(962,990)	(289,095)
Increase (decrease) in other payable	26,191	(291,375)
Decrease in provisions	(20,220)	(46,485)
Increase (decrease) in other current liabilities	(93,482)	9,973
Increase (decrease) in other non-current liabilities	(25,061)	3,778
Total changes in operating liabilities	(1,600,444)	(338,362)
Total changes in operating assets and liabilities	1,816,659	(1,260,045)
Total adjustments	2,609,147	(1,142,819)
Cash inflow (outflow) generated from operations	517,147	(999,362)
Interest received	40,770	52,443
Dividends received	235,442	284,815
Interest paid	(36,374)	(19,761)
Income taxes paid	(133,269)	(221,811)
Net cash flows (used in) generated by operating activities	623,716	(903,676)
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets carried at cost and investments accounted for using equity method	224,046	15,742
Acquisition of investments accounted for using equity method	(18,313)	(27,359)
Disposal of investments accounted for using equity method	190,126	159,024
Proceeds from disposal of subsidiaries	(11,918)	-
Acquisition of property, plant and equipment	(163,363)	(245,379)
Increase in refundable deposits	(246)	(4,074)
Acquisition of intangible assets	(68,702)	(127,321)
Net cash inflows from business combination	-	20,970
Others	17,571	1,097
Net cash flows (used in) generated by investing activities	169,201	(207,300)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(1,000,618)	2,463,764
Proceeds from issuing exchangeable bonds	1,194,865	-
Repayment of convertible bonds payable	(114,300)	-
Proceeds from long-term debt	150,000	-
Repayments of long-term debt	(97,000)	(791,350)
Increase in guarantee deposits received	11,250	5,295
Cash dividends paid	(6,433)	(612,492)
Payments to acquire treasury shares	(186,425)	-
Net cash flows (used in) financing activities	(48,661)	1,065,217
Effect of exchange rate changes on cash and cash equivalents	(440,364)	166,706
Net increase in cash and cash equivalents	303,892	120,947
Cash and cash equivalents at beginning of year	3,613,497	3,492,550
Cash and cash equivalents at end of year	$ 3,917,389	3,613,497

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Notes to the consolidated financial statements

December 31, 2015 and 2014

(Amounts expressed in thousands of New Taiwan Dollars, unless otherwise noted)

1. Company history

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

2. 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 24, 2016.

3. New standards and interpretations adopted

(a) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC").

The Consolidated Company adopted the 2013 version of the IFRS endorsed by the FSC (IFRS 9 Financial instruments is excluded) in preparing its 2015 financial statements. The new standards and amendments issued by the International Accounting Standards Board ("IASB") are as follows:

New standards and amendments	Effective date announced by IASB
• Limited exemption from comparative IFRS 7 Disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
• Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
• Government loans (amendment to IFRS 1)	January 1, 2013
• Disclosures – Transfer of financial assets (amendment to IFRS 7)	July 1, 2011
• Disclosures – Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
• IFRS 10 Consolidated Financial Statements	January 1, 2013 (Investment entities: January 1, 2014)
• IFRS 11 Joint Arrangements	January 1, 2013
• IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
• IFRS 13 Fair Value Measurement	January 1, 2013
• Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
• Deferred tax : recovery of underlying assets (amendment to IAS 12)	January 1, 2012
• Amended IAS 19 Employee Benefit	January 1, 2013
• Amended IAS 27 Separate Financial Statements	January 1, 2013
• Amended IAS 32 Offsetting financial assets and financial liabilities	January 1, 2014
• IFRIC 20 Stripping costs in the production phase of a surface mine	January 1, 2013

(Continued)

Based on the Consolidated Company's assessment, the adoption of IFRS 2013 version has no significant effect on the consolidated financial statement except for the following items:

(1) IAS 19 Employee Benefits

The amended IAS 19, net interest is calculated simply as the net defined benefit liability (asset) multiplied by the discount rate, which replaced the interest cost and the expected returns on plan assets prior to the amendments. Also, the amended standard requires an increase in disclosures on the defined benefit plans.

(2) IAS 1 Presentation of Financial Statements

The amended IAS 1 requires entities to separate the items (presented in OCI classified by nature) into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax, then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. The Consolidated Company has changed the representation in the statement of its comprehensive income, and has also restated the comparison period.

(3) IFRS 12 Disclosure of Interests in Other Entities

The standard integrates the disclosure requirements for subsidiaries and associates. Accordingly, the Consolidated Company will disclose any additional information about its interests in consolidated entities and unconsolidated entities. Based on assessment, the Consolidated Company has no investment in structured entities.

(4) IFRS 13 Fair Value Measurement

This standard defines the fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on assessment, the adoption of the standard has no significant impact on the consolidated financial statements of the Consolidated Company, and the Consolidated Company has disclosed any additional information about the fair value measurement accordingly.

(b) New standards, interpretations and amendments issued by the International Accounting Standards Board but not yet endorsed by the FSC

A summary of the new standards, interpretations and amendments issued by the International Financial Reporting Standards (hereinafter referred to as IASB) but not yet endorsed and announced the effective date by the FSC as of the reporting date is an follows:

New standards and amendments	Effective date per IASB
• IFRS 9 Financial Instruments	January 1, 2018
• Amended IAS 28 and IFRS 10 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided by IASB
• Amended IAS 28, IFRS 10, and IFRS 12 " Investment Entities: Applying the Consolidation Exception"	January 1, 2016

(Continued)

New standards and amendments	Effective date per IASB
• Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
• IFRS 14 Regulatory Deferral Accounts	January 1, 2016
• IFRS 15 Revenue from Contracts with Customers	January 1, 2018
• IFRS 16 Lease	January 1, 2019
• Amended IAS 1 " Disclosure Initiative"	January 1, 2016
• Amended IAS7 " Disclosure Initiative"	January 1, 2017
• Amendments to IAS 12—Recognition of deferred Tax Assets for Unrealized Losses	January 1, 2017
• 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
• Amended IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
• Amended IAS 27 "Equity method in separate financial statements"	January 1, 2016
• Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
• Amendments to IAS 39 – Notation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
• Annual Improvement to IFRS 2010-2012 and 2011-2013 Cycle	July 1, 2014
• Annual Improvement to IFRS 2012-2014 Cycle	January 1, 2016
• IFRIC 21 Levies	January 1, 2014

The Consolidated Company is in the process of assessing the impact on the financial statements at the time of adoption, and will disclose when the assessment is completed.

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.

(b) Basis of Preparation

(1) Basis of Measurement

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

(i) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;

(ii) Available-for-sale financial assets are measured at fair value;

(iii) Equity-settled share-based payment are measured at fair value;

(iv) 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.

(c) Basis of consolidation

(1) 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.

(2) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2015	Shareholding December 31, 2014	Note
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Holding company	100.00 %	100.00 %	
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Investment Pte. Ltd. (D-Link Investment)	Holding company	100.00 %	100.00 %	D-Link Investment was incorporated in the first quarter of 2014, with an investment of $61,104 thousand.

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2015	Shareholding December 31, 2014	Note
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	97.76 %	97.76 %	
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Holding Company	100.00 %	100.00 %	D-Link Russia Investment was incorporated in the fourth quarter of 2014, with an investment of $412,945 thousand.
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	-	Incorporated in April 2015.
The Company	Yeo-Chia Investment Ltd. (YEOCHIA)	Professional investment company	100.00 %	100.00 %	
The Company	Yeo-Mao Investment Inc. (YEOMAO)	Professional investment company	100.00 %	100.00 %	
The Company	Yeo-Tai Investment Inc. (YEOTAI)	Professional investment company	100.00 %	100.00 %	
The Company, YEOCHIA, YEOMAO and YEOTAI	Fitivision Technology Inc. (Fiti)	Research and development and purchase and sales of products	-	96.89 %	Acquisition of Fiti in October 2014 and disposal of Fiti in November 2015.
Fiti	Big Good Holdings Limited (Big Good)	Purchase and sales of products	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Holding company	100.00 %	100.00 %	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Holding company	100.00 %	100.00 %	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Hong Kong Ltd. (D-Link Hong Kong)	Holding company	100.00 %	100.00 %	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2015	Shareholding December 31, 2014	Note
D-Link Investment and D-Link Holding	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	D-Link Investment and D-Link Holding jointly hold 100% of the total shares of D-Link Trade. 8.34% shares held by D-Link Holdings transferred to D-Link investment in November 2014.
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Holding company	100.00 %	100.00 %	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research and development, marketing and after-sales service	100.00 %	100.00 %	
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Marketing and after-sales service	100.00 %	100.00 %	Acquisition of TeamF1 in May, 2014
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Holding company	100.00 %	100.00 %	
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Magyarorszag) kft (D-Link Magyarorszag)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Adria d.o.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-hai) Co., Ltd (DCN)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-hai) Co., Ltd (DWZ)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D-Link del Ecuador S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2015	Shareholding December 31, 2014	Note
D-Link Sudamerica and D-Link L.A.	D-Link de Costa Rica S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link Paraguay S.A.	Marketing and after-sales service	-	99.00 %	Closed in July 2015.
D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	

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

(d) Business combination

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

(e) Foreign currency

(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.

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

An entity shall classify an asset as current when:

(1) It is expected to be realized or intends to sell or consume it in its normal operating cycle;

(2) It holds the asset primarily for the purpose of trading;

(3) It is expected to be realized within twelve months after the reporting date; or

(4) 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:

(1) It expects to settle the liability in its normal operating cycle;

(2) It holds the liability primarily for the purpose of trading;

(3) The liability is due to be settled within twelve months after the reporting date; or

(4) 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 it is 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,

(Continued)

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.

(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.

(Continued)

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 non-operating 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

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.

(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 equipments.

(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.

(Continued)

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:

(i) Buildings and improvements: 5~56 years

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

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

(m) Leases

(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.

(Continued)

(n) Intangible assets

(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) Distribution channel: 5 years

(ii) Computer software: 1~8 years

(iii) 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.

(Continued)

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.

(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.

(Continued)

(r) Revenue

(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. 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, while DEU and other subsidiaries recognized pension expenses based on the contributions in that 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:

(Continued)

(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 shareholders' meeting . The effect on net income per common share from the increase in stock from the transfer of unappropriated earnings, capital surplus, and employee profit sharing is computed retroactively.

(Continued)

(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 financial statements in conformity with standards 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.

Management continued to monitor the estimates and assumptions. Management recognized the changes in the accounting estimates during the period and the impact of changes in the accounting estimates in the next period.

The book value of the assets and liabilities below are affected by accounting assumptions and judgments and have significant impact on the consolidated financial statements. The actual results may differ from the information below if these accounting assumptions and judgments are adopted.

(a) Financial assets at fair value

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. The fair value also reflects the effect of the credit risk of the Company and its counterparty.

(b) Impairment assessment on intangible assets

The Consolidated Company will assess the recoverable amount on its intangible assets at the end of each reporting date. Determining whether goodwill is impaired requires an calculation of the value in use is based on the estimated 5 years future cash flows of the Consolidated Company. Financial forecast on future cash flows is based on the growth of future annual revenue, cost and gross profit.

(c) Impairment assessment of investments under equity methods

The Consolidated Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that a investment may be impaired and carrying value may not be recoverable. The Consolidated Company assesses the impairment based on projected future cash flow of the investments, including the estimated sales growth rate by investees' internal management team, and the Consolidated Company will analyze the reasonableness of related assumptions.

(d) Estimation on provision

Provisions on sales returns of the Consolidated Company are mainly connected with returns on sales and are based on historical information of similar products and services.

Based on the legal consultants of the Consolidated Company, the management will estimate the most possible outcome, and estimate the costs of litigation.

(e) Valuation on inventory

Inventories are stated at the lower of cost or net realizable value, and the Consolidated Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid technological changes, the Consolidated Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The evaluation of inventories is primarily based on product demand within the specified future period and stock age. Therefore, there might be significant changes to the evaluation.

(f) Post-employment benefits of defined benefit plan

When calculating the present value of the defined benefit obligation, the Consolidated Company shall use judgments and estimations to determine the actuarial assumptions, including discount rate and expected return on plan assets, at the end of the reporting period. Any change in the actuarial assumptions may impact on amount of the defined benefit obligation.

(g) Income tax expense and deferred income tax assets and liabilities

The income tax of the Consolidated Company is based on the laws of each country in which the companies are registered. Parts of transactions and calculations may differ due to different recognition between the tax authorities and the Consolidated Company, which can result in uncertainty in income tax. The Consolidated Company will assess the additional tax burden from the recognition differences which will be recognized under income tax and deferred tax. Any difference between the ultimate tax charge and the estimated amount will be an impact on the recognition of income tax and deferred tax.

6. Explanation of significant accounts

(a) Cash and Cash Equivalents

		December 31, 2015	December 31, 2014
Cash on hand	$	12,203	14,925
Checking and saving accounts		3,041,916	2,302,138
Cash equivalents		863,270	1,296,434
	$	3,917,389	3,613,497

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

D-LINK CORPORATION AND SUBSIDIARIES

Notes to the consolidated financial statements

(b) Financial Assets and Liabilities

(1) Details as follows

		December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss – current			
Beneficiary certificates – mutual funds	$	49,978	17,636
Foreign currency option contracts		76	3,726
Cross currency swaps		7,291	41,702
Forward foreign exchange contracts		12,176	3,364
Embedded in exchangeable bonds		1,555	-
	$	71,076	66,428
Financial liabilities at fair value through profit or loss – current			
Foreign currency option contracts	$	948	1,755
Cross currency swaps		619	5,832
Forward foreign exchange contracts		4,997	-
Embedded in exchangeable bonds		42,390	-
	$	48,954	7,587
Financial liabilities at fair value through profit or loss – non-current			
Embedded in exchangeable bonds	$	1,904	-
Available-for-sale financial assets – noncurrent:			
Cameo Communication, Inc. (CAMEO)	$	276,001	279,742
IC Plus Corp. (ICPC)		78,934	93,737
Abocom Systems, Inc. (ASI)		25,539	36,992
Z-Com, Inc. (Z-Com)		36,531	40,858
	$	417,005	451,329

		December 31, 2015	December 31, 2014
Financial assets carried at cost – noncurrent:			
QuieTek Corporation (QUIETEK)	$	19,374	105,688
Global Mobile Corp.		-	10,700
ID Branding Fund Inc.		5,000	17,500
Others		7,446	7,584
	$	31,820	141,472

(Continued)

(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 $230,541 thousand in 2015.

(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 $55,497 thousand and $11,800 thousand in 2015 and 2014, respectively.

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

(iv) As of December 31, 2015 and 2014, 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:

	2015		2014	
Security price at reporting date	**After-tax other comprehensive income**	**After-tax profit (loss)**	**After-tax other comprehensive income**	**After-tax profit (loss)**
Increase 3%	$ 11,814	1,049	12,132	439
Decrease 3%	$ (2,768)	(8,558)	(12,132)	(439)

(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, 2015 and 2014, transactions that do not qualify for hedging accounting are presented as held-for-treading financial assets are as follows:

(i) Derivative financial assets

	December 31, 2015			December 31, 2014		
	Contract amount (thousand)	**Currency**	**Maturity date**	**Contract amount (thousand)**	**Currency**	**Maturity date**
Cross currency swaps:						
USD	$ 2,000	USD	2016.01	14,000	USD	2015.01~2015.07
USD	5,000	USD	2016.03	4,000	USD	2014.04~2015.04
USD	-	-	-	5,000	USD	2014.09~2015.09
GBP	-	-	-	3,401	GBP	2015.01~2015.02
EUR	3,000	EUR	2016.02	-	-	-
CAD	928	CAD	2016.01	-	-	-
CNY	72,151	CNY	2016.01	-	-	-

	December 31, 2015			December 31, 2014		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Forward foreign exchange contracts:						
GBP	-	-	-	1,378	GBP	2015.01~ 2015.02
AUD	1,000	AUD	2016.02	2,000	AUD	2015.01
CAD	1,000	CAD	2016.01	2,000	CAD	2015.01
EUR	500	EUR	2016.01	2,000	EUR	2015.01
CNY	25,865	CNY	2016.01	-	-	-
BRL	34,800	BRL	2016.01	-	-	-
KRW	2,930,000	KRW	2016.01	-	-	-
Foreign currency option contracts:						
Put options (buy)	-	-	-	2,950	EUR	2015.01~ 2015.02
Put options (buy)	-	-	-	100,000	JPY	2015.02
Call options (sell)	1,000	USD	2016.01	-	-	-
Call options (sell)	1,500	EUR	2016.01	-	-	-

(ii) Derivative financial liabilities

	December 31, 2015			December 31, 2014		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
EUR	$ 1,000	EUR	2016.01	3,000	EUR	2015.01
GBP	-	-	-	3,000	GBP	2015.03
AUD	1,000	AUD	2016.01	2,000	AUD	2015.01
CNY	6,593	CNY	2016.01	25,000	CNY	2015.01
CAD	362	CAD	2016.01	-	-	-
Forward foreign exchange contract:						
EUR	3,500	EUR	2016.01	-	-	-
CNY	6,601	CNY	2016.02	-	-	-
BRL	8,010	BRL	2016.01	-	-	-
USD	3,500	USD	2016.01	-	-	-
Foreign currency option contracts:						
Call options (sell)	-	-	-	4,900	EUR	2015.01~ 2015.02
Put options (sell)	-	-	-	2,000	EUR	2015.02
Call options (sell)	-	-	-	100,000	JPY	2015.02
Put options (sell)	-	-	-	200,000	JPY	2015.02
Call options (sell)	15,190	BRL	2016.01	-	-	-
Call options (sell)	13,000	CNY	2016.01	-	-	-

(Continued)

(c) Notes and accounts receivable and other receivables

		December 31, 2015	December 31, 2014
Notes receivable for operating activities	$	22,499	71,733
Accounts receivable		5,546,948	7,132,486
Other receivables		349,358	183,151
		5,918,805	7,387,370
Less: allowance for doubtful accounts		(231,089)	(179,427)
allowance for returns and discounts		(366,738)	(380,474)
	$	5,320,978	6,827,469

The Consolidated Company's aging analysis of notes, accounts receivable and other receivables that are due but not impaired as of December 31, 2015 and 2014 were as follows:

		December 31, 2015	December 31, 2014
Overdue 30 days or less	$	228,300	434,578
Overdue 31~120 days		102,341	41,921
Overdue 121~360 days		-	12,096
Overdue for more than one year		-	8,455
	$	330,641	497,050

The movements in the allowance on notes, accounts receivable and other receivables in 2015 and 2014 were as follows:

		Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$	-	179,427	179,427
Impairment loss recognized		-	67,587	67,587
Write-offs		-	(12,111)	(12,111)
Others		-	(3,814)	(3,814)
Balance at December 31, 2015	$	-	231,089	231,089
Balance at January 1, 2014	$	-	170,125	170,125
Impairment loss recognized		-	5,277	5,277
Write-offs		-	(5,118)	(5,118)
Others		-	9,143	9,143
Balance at December 31, 2014	$	-	179,427	179,427

(Continued)

(d) Inventories

	December 31, 2015	December 31, 2014
Finished goods	$ 4,555,857	6,663,463

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). In 2015 and 2014, the cost of goods delivered were $19,207,893 thousand and $21,234,645 thousand, respectively. Write-down of inventories to net realizable value is recorded as cost of goods sold and increased by $298,656 thousand and $131,346 thousand, respectively. In 2015 and 2014, the warranty expenses, inventory losses from obsolescence and others amounted to $674,813 thousand and $666,107 thousand, respectively.

As of December 31, 2015 and 2014, no inventories are pledged as collateral.

(e) Investments accounted for the using equity methods

Investments accounted for the using equity methods were as follows:

	December 31, 2015	December 31, 2014
Associates	$ 3,166,304	3,671,905

(1) Associates

Name of Associate	Name of relationship with the Consolidated Company	Principal place of business/ Registered Country	Ownership interest/Voting rights held December 31, 2015	Ownership interest/Voting rights held December 31, 2014
ALPHA	The major business are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	35.24 %	36.20 %

(Continued)

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

		December 31, 2015	December 31, 2014
Current assets	$	10,768,686	12,622,861
Non-current assets		3,545,228	4,102,661
Current liabilities		4,783,492	6,214,949
Non-current liabilities		1,119,334	827,475
Net assets	$	**8,411,088**	**9,683,098**
Net assets attributable to investee's shareholders	$	**8,411,088**	**9,683,098**

		2015	2014
Operating revenue	$	**22,995,238**	**23,277,512**
Net income	$	(340,108)	535,773
Other comprehensive income		140,937	90,463
Total comprehensive income	$	**(199,171)**	**626,236**
Total comprehensive income attributable to investee's shareholders	$	**(199,171)**	**626,236**

		2015	2014
The Consolidated Company's share in associate's net assets at beginning of year	$	3,497,147	3,537,298
Comprehensive income attributable to the Consolidated Company		(58,978)	213,109
Changes in equity of associates using equity method		(4,164)	(15,415)
Dividends received during the year		(204,036)	(237,845)
Less: disposal		(97,055)	-
capital reduction		(170,030)	-
The Consolidated Company's share in associate's net assets at end of year		2,962,884	3,497,147
Less: unrealized gains or losses		(183,574)	(298,415)
Add: goodwill		116,580	176,078
Carrying amounts of investments accounted for using equity method	$	**2,895,890**	**3,374,810**

(Continued)

		December 31, 2015	December 31, 2014
Carrying amounts of interests of immaterial associates	$	270,414	297,095

		2015	2014
Attributable to the Consolidated Company			
Profit (loss) from continuing operations	$	33,534	(30,398)
Other comprehensive income, net of tax		(7,505)	11,085
Total comprehensive income	$	26,029	(19,313)

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

		December 31, 2015	December 31, 2014
ALPHA	$	2,616,763	3,148,268
BOTHHAND		327,909	400,006
	$	2,944,672	3,548,274

(2) Pledges

As of December 31, 2015 and 2014, no investment accounted for using equity methods is pledged as collateral.

(f) Acquisition and disposal of subsidiary

(1)

(i) Acquisition and disposal of subsidiary

D-Link India has signed a Share Swap Agreement with TeamF1 India on December 31, 2013. D-Link India issued 5,500 thousand shares, with a par value of 0.002 per share, to be transferred to Team F1 India for the acquisition of its identifiable assets and liabilities. The acquisition date was on May 29, 2014 ; After the acquisition, D-Link India and D-Link Mauritius jointly acquire 100% of the total shares of TeamF1 India.

The accounting treatment for D-Link India acquisition of TeamF1 India is based on IFRS 3 Business Combinations. The recognition of goodwill amounting to $78,103 thousand is measured by evaluating the fair value of the consideration at the acquisition date deducted by the identifiable assets and liabilities assumed.

(ii) Due to the acquisition of 3,390 thousand shares of Fiti in October 2014, which resulted in an increase of the holding shares of the Consolidated Company from 42.44% to 78.40%, Fiti became one of its subsidiaries. As of December 31, 2014, the Consolidated Company held 96.89% of Fiti. In 2014, Fiti issued new shares and the Consolidated Company did not acquire the new shares in proportion to the percentage of its original ownership, and it resulted in a decrease in the ownership interest. Accordingly, the ownership interest resulted in a decrease in the retained earnings by 49,400 thousand. In November 2015, the

(Continued)

Consolidated Company disposed all shares of Fiti, with the selling price of 10,000 thousand. Therefore, the gain on disposal of investment amounted to 49,030 thousand due to the reversing credit balance of investments accounted for using equity method amounted to 39,030 thousand.

(2) D-Link India increased its capital by issuing new shares, and therefore, the Consolidated Company did not lose its control over D-Link India.

The holding shares of D-Link India by Consolidated Company decreased from 60.37% to 51.02% as D-Link India acquired TeamF1 India by issuing 5,500 thousand shares on May 29, 2014. Accordingly, the ownership interest caused a decrease in the retained earnings by $18,674 thousand.

(g) Subsidiaries have material non-controlling interests

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

		Ownership interests held by NCI	
Name of subsidiary	**Principal place of business/ Registered country**	**December 31, 2015**	**December 31, 2014**
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 is summarized as follows:

		December 31, 2015	**December 31, 2014**
Current assets	$	1,244,493	1,178,741
Non-current assets		606,310	572,569
Current liabilities		705,813	693,388
Non-current liabilities		266	4,541
Net assets	$	1,144,724	1,053,381
Net assets attributable to non-controlling interests	$	370,861	333,590

		2015	2014
Operating revenues	$	3,427,709	2,912,981
Net income	$	93,724	108,715
Other comprehensive income		-	-
Total comprehensive income	$	93,724	108,715
Net income attributable to the non-controlling interests	$	45,906	53,249
Total comprehensive income attributable to the non-controlling interests	$	45,906	53,249
Cash flows (used in) generated by operating activities	$	(20,919)	141,131
Cash flows (used in) generated by investing activities		1,439	(7,307)
Cash flows (used in) by financing activities		(14,950)	(69,900)
Net decrease (increase) in cash and cash equivalents	$	(34,430)	63,924
Cash dividends paid to non-controlling	$	6,433	3,719

(h) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the consolidated company in 2015 and 2014 are as follows:

	2015						
	Balance as of January 1, 2015	Increase	Decrease	Transfer	Reclassification	Others	Balance as of December 31, 2015
Cost:							
Land	$ 576,716	-	-	-	-	(3,495)	573,221
Buildings	791,689	585	711	-	59,057	(10,584)	840,036
Others	1,577,638	105,165	87,241	(58,552)	1,362	(43,009)	1,495,363
Equipment to be inspected and construction in process	104,511	57,613	-	-	(60,419)	(13,811)	87,894
	3,050,554	163,363	87,952	(58,552)	-	(70,899)	2,996,514
Accumulated depreciation:							
Buildings	436,681	19,523	560	-	(531)	540	455,653
Others	1,270,945	144,162	71,100	(52,996)	531	(34,469)	1,257,073
	1,707,626	163,685	71,660	(52,996)	-	(33,929)	1,712,726
Accumulated impairment:							
Buildings	8,000	-	-	-	-	-	8,000
	$ 1,334,928	(322)	16,292	(5,556)	-	(36,970)	1,275,788

(Continued)

	Balance as of January 1, 2014	Increase	Decrease	Transfer	Reclassification	Others	Balance as of December 31, 2014
	2014						
Cost:							
Land	$ 587,623	-	-	-	-	(10,907)	576,716
Buildings	759,257	44,400	-	-	-	(11,968)	791,689
Others	1,492,061	121,416	23,395	52,994	(56,086)	(9,352)	1,577,638
Equipment to be inspected and construction in process	-	79,563	-	-	56,086	(31,138)	104,511
	2,838,941	245,379	23,395	52,994	-	(63,365)	3,050,554
Accumulated depreciation:							
Buildings	398,480	20,369	-	-	16,939	893	436,681
Others	1,119,324	161,296	22,029	32,397	(16,939)	(3,104)	1,270,945
	1,517,804	181,665	22,029	32,397	-	(2,211)	1,707,626
Accumulated impairment:							
Buildings	8,000	-	-	-	-	-	8,000
	$ 1,313,137	63,714	1,366	20,597	-	(61,154)	1,334,928

As of December 31, 2015 and 2014, no property, plant and equipment are pledged as collateral.

(i) Investment property

	Balance as of January 1, 2015	Increase	Decrease	Transfer	Balance as of December 31, 2015
	2015				
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	9,545	397	-	-	9,942
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 41,651	(397)	-	-	41,254

(Continued)

	2014				
	Balance as of January 1, 2014	Increase	Decrease	Transfer	Balance as of December 31, 2014
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	9,149	396	-	-	9,545
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 42,047	(396)	-	-	41,651

	December 31, 2015	December 31, 2014
Book value	$ 41,254	41,651
Fair value	$ 52,949	66,528

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(v).

The fair value of investment property as of December 31, 2015 and 2014 was based on the comparable deal information with similar location and category or appraisal report, respectively.

As of December 31, 2015 and 2014, no investment property is pledged as collateral.

(j) Intangible assets

	2015						
	Balance as of January 1, 2015	Increase	Decrease	Transfer	Amortization	Others	Balance as of December 31, 2015
Goodwill	$ 339,223	-	(20,285)	-	-	22,205	341,143
Trademark	152,188	-	-	-	-	6,228	158,416
Patents	33,868	-	-	-	(2,691)	-	31,177
Computer software cost	145,472	45,233	(48)	-	(30,167)	-	160,490
Other intangible assets	10,068	23,469	(34)	5,514	(13,206)	(1,248)	24,563
	$ 680,819	68,702	(20,367)	5,514	(46,064)	27,185	715,789

(Continued)

	2014					
	Balance as of January 1, 2014	Increase	Decrease	Amortization	Others	Balance as of December 31, 2014
Goodwill	$ 249,590	78,103	-	-	11,530	339,223
Trademark	143,488	-	-	-	8,700	152,188
Distribution channel	6,675	-	-	(6,754)	79	-
Patents	36,560	-	-	(2,692)	-	33,868
Computer software cost	20,985	145,427	(167)	(20,773)	-	145,472
Other intangible assets	9,796	5,734	-	(5,687)	225	10,068
	$ 467,094	229,264	(167)	(35,906)	20,534	680,819

For information on Goodwill arising from D-Link India acquired Team F1 India, please refers to note 6(f). In 2015, the Consolidated Company had written off the acquired goodwill for investment in Wishfi for $20,285 thousand.

(k) Long-term and short-term loans

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

(1) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2015	December 31, 2014
Unsecured bank loans	TWD	0.99~2.52	105	$ 1,282,600	2,130,328
Unsecured bank loans	USD	0.9406~1.212	105	165,330	381,192
Secured bank loans	TWD	4.095	104	-	2,028
Total				$ 1,447,930	2,513,548
Unused credit facilities				$ 4,695,296	2,924,555

For information in 2014 deposits pledged to secure bank borrowing, please refers to note 8.

(2) Long-term Loans

	Currency	Interest rate	Maturity year	December 31, 2015	December 31, 2014
Industrial Bank of Taiwan	TWD	1.37	2018	$ 150,000	-
Bank of Taiwan	TWD	1.623	2015	-	97,000
				150,000	97,000
Less: Due within one year	TWD	1.623	2015	-	(97,000)
Total				$ 150,000	-
Unused credit facilities				$ 600,000	650,000

(l) Provisions - current

	2015					
	Balance as of January 1, 2015	Increase	Used	Reversed	Effect of exchange	Balance as of December 31, 2015
Warranties	$ 193,967	10,120	(19,473)	(10,974)	(8,859)	164,781
Sales return and allowances	47,976	-	(747)	-	(705)	46,524
Legal proceedings	76,238	-	-	-	3,120	79,358
	$ 318,181	10,120	(20,220)	(10,974)	(6,444)	290,663

	2014					
	Balance as of January 1, 2014	Increase	Used	Reversed	Effect of exchange	Balance as of December 31, 2014
Warranties	$ 221,977	27,029	(46,485)	(5,646)	(2,908)	193,967
Sales return and allowances	47,101	-	-	(436)	1,311	47,976
Legal proceedings	71,880	-	-	-	4,358	76,238
	$ 340,958	27,029	(46,485)	(6,082)	2,761	318,181

(m) Bonds payable

(1) Exchange corporate bonds

	December 31, 2015	December 31, 2014
Exchangeable bonds	$ 1,200,000	-
Less: Discount and unamortized issuance cost	(74,087)	-
Balance of exchangeable bonds	$ 1,125,913	-
Embedded derivatives:		
Call options, included in financial assets at fair value through profit or loss	$ 1,555	-
Put options and conversion options, included in financial liabilities at fair value through profit or loss	$ 44,294	-

	2015	2014
Embedded derivative-gains (losses) measured at fair value, included in other gains and losses	$ (36,600)	-
Interest expense	$ 10,386	-

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 are 12,000 thousand units.

(ii) Duration:

June 17, 2015 to June 17, 2020.

(iii) Coupon rate for the bonds is zero.

(iv) Payment term

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

(v) Exchange period:

The exchangeable bonds may be exchanged into common shares of Alpha Network Inc. on or after July 18, 2015, and prior to June 17, 2020.

(vi) Exchange price:

The exchange price is calculated by using the simple average closing price of the Company's common shares based on either one, three or five consecutive business days before the effective date of June 9, 2015, multiplied by 105.26%. The exchange price is calculated based on the closing price (after considering the effect of ex rights or ex dividend) of ALPHA's shares. The exchange price on the issuance date was $22, which also was adjusted to $20.64 per share based on the ex dividend date on June 30, 2015 because of the distribution of cash dividends in 2015. On August 3, 2015, the exchange price was adjusted to $22.93 per share based on ALPHA's capital reduction and cash distribution date.

(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, 2015. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date.

(2) Convertible corporate bonds

	December 31, 2015	December 31, 2014
Convertible corporate bonds	$ -	2,000,000
Less: discount and unamortized issuance cost	-	(63)
Cumulative redeemed amount	-	(1,885,700)
Balance of bonds payable	$ -	114,237
Equity components:		
Conversion options, included in capital surplus—stock options	$ -	4,655
Expiry of conversion options, included in capital surplus—others	$ 81,454	76,799
	2015	**2014**
Interest expense	$ 63	1,935

On January 12, 2010, the Company issued unsecured convertible corporate bonds of $2,000,000 thousand. The coupon rate is zero, and the bonds will mature after 5 years. The bonds started to trade on January 13, 2010.

The unsecured convertible corporate bonds has matured on January 12, 2015 (5 years after the issuance date) and ceased to trade on January 13, 2015. As of January 12, 2015, the bondholders did not exercise the conversion options, and therefore, the Company repaid the bonds for cash at face value amounting to $114,300 thousand based on article 6 of the conversion terms issued by the Company . As of the report date, the payment has already been paid.

The issue terms for the unsecured convertible corporate bonds were as follows:

(i) Total issuance amount

The upper limit of the total principal amount of the bonds is two billion dollars. The par value of the bonds is one hundred thousand dollars, and they are issued at 100% of par.

(ii) Duration

January 12, 2010, to January 12, 2015.

(iii) Coupon rate for the bonds is zero.

(iv) Conversion period

The convertible corporate bonds may be converted into common shares of the Company on or after February 13, 2010, and prior to January 2, 2015.

(Continued)

(v) Conversion price and adjustment

The conversion price is calculated by using the simple average closing price of the Company's common shares based on either one, three or five consecutive business days before the effective date of January 5, 2010, multiplied by 111.66% of the conversion premium rate. The conversion price is calculated based on the closing price (after considering the effect of ex-rights or ex-dividend) of the shares. The conversion price on the issuance date was $37.5. Also, it was adjusted to $28.5 per share based on the ex-dividend date on September 30, 2014 because of the distribution of cash dividends in 2014.

(vi) Early redemption option

From February 13, 2010 (1 month after the issuance date) to December 3, 2014 (forty days before the maturity date), if (i) the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or (ii) at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased or converted, the Company may redeem all bonds for cash at face value.

(vii) Put options

Bondholders may exercise the put option and request the Company to redeem the bonds at 100% of par value two years after issuance with a redemption date of January 12, 2012. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date.

(n) Operating leases

(1) Leases – Lessee

Non-cancellable operating lease rentals are payable as follows:

		December 31, 2015	December 31, 2014
Within one year	$	248,937	277,947
One to five years		446,946	577,040
Over five years		96,177	176,971
	$	**792,060**	**1,031,958**

The operating leases recognized in profit or loss in 2015 and 2014 amounting to $306,323 thousand and $338,206 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 2015 and 2014 were amounting to $2,440 thousand and $2,589 thousand, respectively.

(o) Employee benefits

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

		December 31, 2015	December 31, 2014
Present value of benefit obligations	$	117,590	146,108
Fair value of plan assets		(106,699)	(117,007)
Deficit in the plan	$	10,891	29,101

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 $107,132 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 2015 and 2014 were as follows:

		2015	2014
Defined benefit obligation at January 1	$	146,108	159,824
Current service cost and interest		4,548	5,212
Remeasurement of the net defined benefit liabilities			
—Actuarial loss changes in the financial assumptions		2,215	-
—Actuarial gains and losses changes in experience adjustments		5,396	7,878
Benefits paid by the plan		(40,677)	(26,806)
Defined benefit obligation at December 31	$	117,590	146,108

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

The movements in the present value of the plan assets in 2015 and 2014 were as follows:

		2015	2014
Fair value of plan assets at January 1	$	117,007	136,980
Interest revenue		2,329	2,776
Remeasurement of the net defined benefit liabilities			
—Actuarial return on plan assets (excluding interest)		911	375
Contributions made		2,985	3,682
Benefits paid by the plan		(16,533)	(26,806)
Fair value of plan assets at December 31	$	106,699	117,007

(iv) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for 2015 and 2014 were as follow:

		2015	2014
Current service cost	$	1,662	2,060
Net interest on the net defined benefit obligation		557	376
	$	2,219	2,436

		2015	2014
Operating cost	$	69	42
Selling expenses		1,089	809
Administrative expenses		464	995
Research and development expenses		597	590
	$	2,219	2,436

The Company's paid retirement expenses for the years ended December 31, 2015 and 2014 were $24,144 thousand and $0 thousand.

(v) 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, 2015 and 2014 were as follows:

		2015	2014
Balance on January 1	$	34,059	26,556
Recognized		6,700	7,503
Balance on December 31	$	40,759	34,059

(Continued)

(vi) Actuarial assumptions

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

	2015.12.31	2014.12.31
Discount rate	1.875 %	2.000 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of $2,265 thousand to the plan for the next annual reporting period.

The weighted average duration of defined benefit obligation is 17.65 years。

(vii) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Consolidated Company uses judgements and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the reporting date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The impact on present value due to the changes in the actuarial assumptions in 2015 and 2014 was as follows:

		Effective of defined benefit liabilities	
		Increase 0.25%	Decrease 0.25%
December 31, 2015			
Discount rate	$	(4,360)	4,546
Future salary increase		4,426	(4,268)

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.

(Continued)

The amount of the Company's pension expenses under defined contribution pension plan in 2015 and 2014 were as follows:

	2015	2014
Operating cost	$ 11,989	10,094
Operating expense	$ 169,511	152,087

(p) Income Taxes

Income tax expenses for the years ended December 31, 2015 and 2014 were summarized as follows:

	2015	2014
Current income tax expense	$ 86,089	162,190
Deferred income tax expense	(352,352)	(130,194)
	$ (266,263)	31,996

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

	2015	2014
Exchange differences arising on translation of foreign operations	$ (74,780)	29,644

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

	2015	2014
Income (loss) before income tax	$ (2,092,000)	143,457
Income tax using the Company's domestic tax rate	$ (355,640)	24,387
Effect of tax rate in foreign jurisdiction	(63,789)	(42,706)
Non-taxable income	(7,470)	(32,179)
Unrecognized temporary differences	152,992	125,395
Recognition of previously unrecognized tax losses	-	(24,032)
Differences of basic income tax and general tax	-	(19,654)
Reporting differences on prior years and others	7,644	785
	$ (266,263)	31,996

(1) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets were as follows:

		December 31, 2015	December 31, 2014
Unrealized expenses	$	87,556	25,263
Provisions		10,404	13,337
Impairment		22,031	20,212
Operating loss carry forward		538,513	341,283
Write-down of inventories to net realizable value		59,353	49,265
Others		62,877	24,967
	$	**780,734**	**474,327**

(2) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years 2015 and 2014 were as follows:

		Intra-group transactions	Investments under the equity method	Others	Total
Deferred income tax liabilities:					
Balance at January 1, 2015	$	170	586,349	5,763	592,282
Recognized in profit or loss		(170)	(386,261)	1,824	(384,607)
Balance at December 31, 2015	$	**-**	**200,088**	**7,587**	**207,675**
Balance at January 1, 2014	$	29,966	624,487	376	654,829
Recognized in profit or loss		(29,796)	(38,138)	5,387	(62,547)
Balance at December 31, 2014	$	**170**	**586,349**	**5,763**	**592,282**

		Intra-group transactions	Foreign currency translation reserve	Unrealized expenses	Write down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:									
Balance at January 1, 2015	$	260,241	82,833	120,936	86,189	37,482	50,911	66,561	705,153
Recognized in income statement		(78,243)	-	15,431	(1,043)	(3,258)	41,221	(6,363)	(32,255)
Foreign currency translation reserve		-	74,780	-	-	-	-	-	74,780
Balance at December 31, 2015	$	**181,998**	**157,613**	**136,367**	**85,146**	**34,224**	**92,132**	**60,198**	**747,678**
Balance at January 1, 2014	$	204,246	112,477	114,537	85,100	57,926	-	92,864	667,150
Recognized in income statement		55,995	-	6,399	1,089	(20,444)	50,911	(26,303)	67,647
Foreign currency translation reserve		-	(29,644)	-	-	-	-	-	(29,644)
Balance at December 31, 2014	$	**260,241**	**82,833**	**120,936**	**86,189**	**37,482**	**50,911**	**66,561**	**705,153**

(Continued)

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, 2015, 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
YEOCHIA	2006	2016	$ 152,217
YEOCHIA	2014	2024	4,204
YEOMAO	2014	2024	2,304
YEOTAI	2008	2018	3,099
YEOTAI	2010	2020	15,071
YEOTAI	2011	2021	2,039
YEOTAI	2014	2024	2,813
D-Link Europe	2003 and 2015	Unlimited	498,988
D-Link Brazil	2014~2015	Unlimited	438,655
D-Link Japan	2011	2020	12,667
D-Link Trade	2013~2015	2023~2025	169,005
DCN	2011~2015	2016~2020	775,500
D-Link Mexicana	2014~2015	2024~2025	131,244
D-Link Systems	2015	2035	15,965
Success stone	2015	2025	1,189
D-Link International	2015	Unlimited	674,957
D-Link Korea	2011~2015	2021~2025	79,359
			$ 2,979,276

The ROC income tax authorities had examined the income tax returns of the Company through 2011 and 2013. The income tax returns of YEOMAO, YEOCHIA and YEOTAI have been examined through 2014.

Information on the integrated tax system of the Company is summarized as follows:

	December 31, 2015	December 31, 2014
Unappropriated retained earning after January 1, 1998	$ 358,455	2,323,994
Imputation credit account balance	$ 418,547	389,465

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.

(Continued)

	2015 (estimated)	2014 (actual)
Creditable ratio for earnings distribution to resident stockholders	45.90%	18.57%

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.

(q) Share capital and other equity

(1) Common stock

As of December 31, 2015 and 2014, 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, 2015 and 2014, the issued capital amounted to $6,769,961 and $6,477,557 thousand. The par value of the Company's common stock is $10 New Taiwan dollars per share.

(2) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2015	December 31, 2014
Common stock in excess of par value	$	1,728,508	1,888,359
Share of changes in equities of associates accounted for under the equity method		8,056	1,527
Expiry of share-based payment transactions		129,459	129,459
Stock options from convertible corporate bonds		-	4,655
Expiry of redeemed options of convertible corporate bonds		81,454	76,799
Changes the Company's ownership interests in subsidiaries		21,724	21,724
Total	$	1,969,201	2,122,523

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.

(3) Retained earnings

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. If there is a balance remaining, 1 percent can be set aside for directors' and supervisors' remuneration and 1 to 15 percent can be set aside for employees' bonuses. The recipients of the distributions may include the employees of the Company's affiliated companies. The remaining portion will be combined with earnings from prior years,

(Continued)

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.

In order to adjust to the overall business environment, industry growth characteristics, long-term financial planning, and corporate sustainable management, the Company adopts a residual dividend policy. The Company will distribute capital in excess of its required capital as cash dividends, which cannot be lower than 10 percent of total dividends.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to the shareholders and do not include employees. The Company expects to modify its Articles of Incorporation according to the laws and regulations within the required time.

(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 12, 2015, and June 20, 2014 approved to reverse the legal reserve amounting $97,842 thousand and $162,563 thousand, respectively.

(iii) Earning distribution

The Company measured the bonus of employees amounting to $1,532 thousand, and measured the directors' and supervisors' remuneration amounting to $1,532 thousand, which is calculated by using the net income after deducting the legal reserve of 10% net income, provision or reversal of special reserve in 2014 and 2013, then multiplying the distribution rate of 1% of the employee bonus and the directors' and supervisors' remuneration. The number of shares distributed as stock dividends is calculated based on the closing price of the shares on the day before the shareholders' meeting, while taking into consideration the ex rights and ex dividend effects. If the distributed amount, which is based on the resolution of the shareholders' meeting, differs from the estimated amount, the difference will be treated as a change in accounting estimates and recorded as income/loss in 2015.

(Continued)

The Company's shareholders meetings on June 12, 2015, and June 20, 2014 resolved to distribute earnings as employee bonuses and directors' and supervisors' remuneration in 2014 and 2013 as follows:

	2014		2013	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to common shareholders				
Cash	$ -	-	1.00	608,773
Shares	0.50	310,474	0.20	121,754
Total		$ 310,474		730,527
Employees' bonuses – cash		$ 1,532		7,454
Directors' and supervisors' remuneration		1,532		7,454
		$ 3,064		14,908

The above distribution of 2014 and 2013 earnings was approved by the board of directors, and the amount was consistent with recorded expenses. For information as related to earning distribution, please refer to the website of the Market Observation Post System.

(4) Treasury stock

Under Article 28-2 of the Securities and Exchange Act, the Company's board of directors passed a resolution on August 13, 2015, January 14, 2013, June 22, and October 30, 2012 and March 23, 2011 to buy back its shares from the open market and to transfer the shares to its employees. The board of directors' meeting on March 23, 2011 resolved to buy back 12,000 thousand shares of treasury stocks amounting to $324,186 thousand. The Company cancelled the treasury shares without having to transfer to its employees within three years on September 29, 2014. The cancellation process was completed on October 17, 2014.

The board of directors' meeting on June 22, 2012 resolved to buy back 1,807 thousand shares of treasury stocks amounting to $33,692 thousand. The Company cancelled the treasury shares without having to transfer to its employees within three years on August 14, 2015. The cancellation process was completed on November 27, 2015.

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

	2015		2014	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Beginning balance	26,807	$ 483,774	38,807	807,960
Increased	19,192	186,425	-	-
Decreased	(1,807)	(33,304)	(12,000)	(324,186)
Ending balance	44,192	$ 636,895	26,807	483,774

(Continued)

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, 2015 Independent Auditors' Report. The ceiling on total number of shares of the repurchase is 23,508 thousand shares and the ceiling on total monetary amount of the repurchase is $5,387,102 thousand.

(5) Other equity

		Foreign exchange differences arising from foreign operations	Unrealized gains and losses on available-for-sale financial assets
Balance at January 1, 2015	$	(261,174)	(292,793)
Foreign exchange differences (net of taxes):			
The Consolidated Company		(365,003)	-
Associates		(45,153)	-
Unrealized gains and losses from available-for-sale financial assets			
The Consolidated Company		-	196,606
Associates		-	89,385
Balance at December 31, 2015	$	(671,330)	(6,802)
Balance at January 1, 2014	$	(437,302)	(214,508)
Foreign exchange differences (net of taxes):			
The Consolidated Company		144,365	-
Associates		31,763	-
Unrealized gains and losses from available-for-sale financial assets			
The Consolidated Company		-	(82,541)
Associates		-	4,256
Balance at December 31, 2014	$	(261,174)	(292,793)

(Continued)

(6) Non-controlling interests

		2015	2014
Balance at the beginning of the period	$	373,144	248,637
Net income attributable to non-controlling interest:			
Net income		45,094	49,918
Exchange differences on translation of foreign operations		(560)	(7,225)
Cash dividends distributed by subsidiaries		(6,433)	(3,719)
Recognition of change in ownership interest in subsidiaries		-	84,921
Disposal of subsidiaries		1,257	-
Acquisition		-	612
Balance at the end of the period	$	412,502	373,144

(r) Employee stock options

(1) The board of directors' meeting on September 15, 2009, resolved to issue 30,000 units of employee stock options on October 5, 2009, with each unit having the option to purchase 1,000 shares. The exercising of the options will be settled through the issuance of new shares. The options are granted to selected employees of the Company and companies in whom the Company has over 50% of total voting shares either directly or indirectly. The stock options have a contractual life of 5 years and may not be transferred, pledged, or bestowed on others except through inheritance. Option holders may exercise the options 2 years after the date of grant and subscribe the common shares of the Company in accordance with the following schedule.

Period following granting of options	Percentage exercisable
2 Years	50 %
3 Years	75 %
4 Years	100 %

The Company replaced its employee stock options with a continuing service bonuses program approved by the Chairman on October 3, 2011. The agreement period is from October 5, 2011 to October 4, 2013. Each unit of employee stock options converts into a $5 bonus. The bonuses are paid separately at the percentage of 40%, 30%, and 30% in October each year from 2011 to 2013. The bonus agreement covers the originally issued 18,871 units of employee stock options have been paid in October, 2013. Since there is no incremental fair value for the replacement, the Company recognizes compensation cost based on its fair value of the original grant date.

(Continued)

(2) Information on employee stock options as of December 31, 2015 and 2014 were as follows:

2014						
Approval date	**Issuance date**	**Units issued**	**Effective Period**	**Exercise restricted period**	**Original exercise price ($)**	**Adjusted exercise price ($)**
2009.8.31	2009.10.5	30,000	2009.10.5~ 2014.10.4	2009.10.5~ 2011.10.4	$ 28.45	21.63

In 2014, the Company declared the cash dividends and stock dividends, and adjusted the exercise price under the employee stock option plan to $21.63 based on the ex-dividend date on September 30, 2014.

(3) Information about recognition of compensation cost for employee stock options were as follows:

	December 31, 2015	**December 31, 2014**
The balance of capital surplus for equity-settled employee stock option plan:		
Capital surplus – for feited employee stock option	$ 129,459	129,459

(4) A summary of the Company's employee stock option plans and related information for the years ended December 31, 2015 and 2014 were as follows:

	2015		**2014**	
	Options	**Weighted-average exercise price (NTD)**	**Options**	**Weighted-average exercise price (NTD)**
Outstanding at the beginning of the period	-	$ -	555	23.15
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	(555)	-
Outstanding at the end of the period	-	-	-	-

(5) Assumptions were as follows:

The Company utilized the Black-Scholes pricing model to value employee stock option plan, and the fair value of the options and main inputs to the pricing model were as follows:

Assumptions	Expected price volatility	40.30 %
	Risk-free rate	1.165 %
	Expected time to expiration (years)	5
	Fair value per share	10.4

(Continued)

(s) Earnings per share

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

(1) Basic earnings per ordinary share

	2015	2014
Profit (loss) attributable to owners of the parent	$ (1,870,831)	61,543

	2015	2014
Outstanding at the ordinary share at 1 January	620,948	620,948
Weighted-average share of stock dividend	31,048	31,048
Weighted-average share of treasury share	(5,977)	-
Weighted-average ordinary shares outstanding at 31 December	646,019	651,996
Basic earnings per ordinary share (New Taiwan dollars)	$ (2.90)	0.09

(2) Diluted earnings per share

	2015	2014
Profit (loss) attributable to owners of the parent	$ (1,870,831)	61,543

	2015	2014
Weighted-average ordinary shares outstanding (basic)	646,019	651,996
Employee's bonus that may issue by stocks but have not authorized by the shareholders' meeting	52	257
Weighted-average number of shares' outstanding at December 31 (diluted)	646,071	652,253
Diluted earnings per share (New Taiwan dollars)	$ (2.90)	0.09

The convertible corporate bonds that are considered as anti-dilutive and are excluded from the weighted-average ordinary shares outstanding (dilutive) as of December 31, 2014 amounted to $4,011 thousand.

In calculating the effects of all dilutive potential ordinary shares, the average market value is based on the quoted market price during the outstanding periods.

(t) Revenue

	2015	2014
Goods sold	$ 26,513,515	30,183,546
Services	100,964	122,256
	$ 26,614,479	30,305,802

(Continued)

(u) Employee bonus and directors' and supervisors' remuneration

The Company had a deficit in 2015, thus, the Company did not accrue employees' bonus and directors' and supervisors' remuneration.

(v) Other income

		2015	2014
Interest revenue	$	40,770	52,443
Rental revenue		2,440	2,589
Dividends revenue		1,481	19,091
Royalty revenue		682	13,122
Others		43,424	60,217
	$	88,797	147,462

(w) Other gains and losses

		2015	2014
Valuation gains from financial assets and liabilities	$	9,843	44,923
Gain on disposal of investments		110,890	88,417
Foreign currency exchange losses		(310,826)	(512,278)
Impairment loss on financial assets		(306,323)	(11,800)
Others		(24,668)	(40,666)
	$	(521,084)	(431,404)

(x) Financial costs

		2015	2014
Interest expense	$	46,823	21,696

(y) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2015 and 2014 were summarized as follow:

(Continued)

		2015	2014
Exchange differences on translation of foreign operations			
Change in foreign currency exchange from the Consolidated Company	$	(439,804)	173,931
Change in foreign currency exchange from non-controlling interests		(560)	(7,225)
Change in foreign currency exchange from Associates		(44,428)	33,022
Reclassification adjustments		(704)	(1,181)
Less: tax of exchange differences on translation of foreign operation		74,780	(29,644)
Change in exchange differences on translation of foreign operation recognized in other comprehensive income	$	(410,716)	168,903
Unrealized gains (losses) on available-for-sale financial assets			
Change in fair value from the Consolidated Company	$	(93,028)	(82,541)
Change in fair value from Associates		89,386	3,090
Reclassification adjustments		289,633	1,166
Change in fair value recognized in other comprehensive income	$	285,991	(78,285)

(z) Financial instrument

(1) Category of financial instrument

(i) Financial Assets

		December 31, 2015	December 31, 2014
Cash and cash equivalents	$	3,917,389	3,613,497
Financial assets at fair value through profit or loss-current		71,076	66,428
Available-for-sale financial assets —Non-current		417,005	451,329
Financial assets carried at cost		31,820	141,472
Notes receivable, accounts receivable and other receivables (including related parties)		5,321,074	6,828,830
	$	9,758,364	11,101,556

(Continued)

(ii) Financial liabilities

	December 31, 2015	December 31, 2014
Short-term loans	$ 1,447,930	2,513,548
Financial liabilities at fair value through profit or loss -current	48,954	7,587
Notes payable, accounts payable and other payables (including related parties)	6,612,805	8,090,210
Current portion of long-term liabilities	-	211,237
Financial liabilities at fair value through profit or loss -non-current	1,904	-
Bonds payable	1,125,913	-
Long-term loans	150,000	-
	$ 9,387,506	10,822,582

(2) Credit risk

(i) Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2015 and 2014, the maximum amount exposed to credit risk amounted to $9,758,364 thousand, and $11,101,556 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.

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2015							
Non-derivative financial liabilities							
Short-term loans	$ 1,447,930	1,447,930	1,447,930	-	-	-	-
Notes payable	1,833	1,833	1,833	-	-	-	-
Accounts payable	2,395,516	2,395,516	2,375,235	20,281	-	-	-
Accounts payable to related parties	2,138,150	2,138,150	2,138,150	-	-	-	-
Other payables	2,077,306	2,077,306	2,077,306	-	-	-	-
Bonds payable	1,125,913	1,125,913	-	-	1,125,913	-	-
Long-term loans	150,000	150,000	-	-	-	150,000	-
Derivative financial liabilities							
Embedded exchangeable corporate bonds	44,294	44,294	1,904	-	42,390	-	-
Foreign exchange swap contracts used for hedging:							
Outflow	619	102,206	102,206	-	-	-	-
Inflow	-	101,422	101,422	-	-	-	-

(Continued)

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
Forward exchange contracts used for hedging:							
Outflow	$ 4,997	344,660	344,660	-	-	-	-
Inflow	-	338,411	338,411	-	-	-	-
Option contracts used for hedging:							
Outflow	948	194,827	194,827	-	-	-	-
Inflow	-	198,396	198,396	-	-	-	-
	$ 9,387,506	10,660,864	9,322,280	20,281	1,168,303	150,000	-
December 31, 2014							
Non-derivative financial liabilities							
Short-term loans	$ 2,513,548	2,513,548	2,513,548	-	-	-	-
Notes payable	2,176	2,176	2,176	-	-	-	-
Accounts payable	2,922,239	2,922,239	2,886,748	35,491	-	-	-
Accounts payable to related parties	3,101,140	3,101,140	3,101,140	-	-	-	-
Other payables	2,064,655	2,064,655	1,704,863	359,792	-	-	-
Current portion of long-term liabilities	211,237	211,237	165,237	46,000	-	-	-
Derivative financial liabilities							
Foreign exchange swap contracts used for hedging:							
Outflow	5,832	445,037	445,037	-	-	-	-
Inflow	-	447,308	447,308	-	-	-	-
Option contracts used for hedging:							
Outflow	1,755	242,444	242,444	-	-	-	-
Inflow	-	251,520	251,520	-	-	-	-
	$ 10,822,582	12,201,304	11,760,021	441,283	-	-	-

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:

		2015			2014	
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets (note):						
Monetary items:						
CLP	$ 841,850	0.05	39,354	538,362	0.05	28,156
JPY	1,169,581	0.28	321,752	1,430,677	0.27	380,560
CAD	12,392	23.90	296,204	12,722	27.37	348,153
USD	258,986	33.07	8,563,630	265,748	31.77	8,441,763
MXN	14,360	1.92	27,595	41,240	2.16	88,907
BRL	75,600	8.47	640,181	102,278	11.96	1,223,163
AUD	5,345	24.08	128,699	7,423	25.99	192,918
			$ 10,017,415			10,703,620
Non-monetary items:						
USD	$ 1,950	33.07	64,476	811	31.77	25,777
Long-term investment under equity method:						
USD	$ 258	33.07	8,542	338	31.77	10,724
Financial liabilities (note):						
Monetary items:						
JPY	$ 78,155	0.28	21,501	79,059	0.27	21,030
CAD	4,734	23.90	113,162	5,126	27.37	140,285
BRL	33,496	8.47	283,642	9,235	11.96	110,444
USD	214,424	33.07	7,090,143	298,321	31.77	9,476,476
CLP	475,438	0.05	22,225	316,965	0.05	16,577
AUD	2,568	24.08	61,833	3,059	25.99	79,500
MXN	6,229	1.92	11,971	12,876	2.16	27,758
			$ 7,604,477			9,872,070
Non-monetary items:						
USD	$ 198	33.07	6,564	239	31.77	7,587

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 losses, including realized and unrealized, were $310,826 thousand and $512,278 thousand for the years ended December 31, 2015 and 2014, 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.

All other variables were held constant, 1.5% of appreciation (depreciation) of the USD against other currencies as of December 31, 2014 and 2015 would have decreased or increased the net loss after tax by $20,579 thousand and decreased or increased the net profit $60,501 thousand, respectively..

(5) Interest rate analysis

The interest rate risk exposure of financial assets and liabilities are disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the liabilities with variables interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents management of the Consolidated Company's assessment on the reasonably possible interval of interest rate change.

All other variables were held constant, the interest rate had increased or decreased by 0.5%, the net loss would have increased or decreased by $0 thousand and the net profit would have decrease or increase by $51 thousand for the years ended December 31, 2014 and 2015, respectively.

(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, 2015			
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	$ 417,005	417,005	-	-
Derivative assets and liabilities				
Assets:				
Financial liabilities at fair value through profit or loss - current	71,076	49,978	21,098	-
Liabilities:				
Financial liabilities at fair value through profit or loss - current	48,954	-	48,954	-
Financial liabilities at fair value through profit or loss - non-current	1,904	-	1,904	-

(Continued)

		December 31, 2014		
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	$ 451,329	451,329	-	-
Derivative assets and liabilities				
Liabilities:				
Financial assets at fair value through profit or loss - current	66,428	17,636	48,792	-
Financial liabilities at fair value through profit or loss - non-current	7,587	-	7,587	-

(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, 2015 and 2014, 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, 2015		December 31, 2014	
	Book value	**Fair value**	**Book value**	**Fair value**
Non-financial assets:				
Investment property	$ 41,254	52,949	41,651	66,528

	December 31, 2015			
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	$ 52,949	-	-	52,949

	December 31, 2014			
Assets and liabilities	Total	Level 1	Level 2	Level 3
Non-financial assets:				
Investment property	$ 66,528	-	-	66,528

(Continued)

(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.

(aa) 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.

(Continued)

(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, 2015, and 2014, 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, 2015, and 2014, 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 $5,295,296 thousands as of December 31, 2015.

(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.

(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 is exposed to interest rate risk arising from its borrowing at floating rate, such that changes in interest rates would affect the future cash flows. However, interest from financial assets remains higher than the interest from financial liabilities and therefore, there is no significant interest rate risk in the Consolidated Company.

(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.

(ab) Capital management

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

Debt-to-equity ratio:

		December 31, 2015	December 31, 2014
Total liabilities	$	10,217,060	12,208,478
Less: cash and cash equivalents		(3,917,389)	(3,613,497)
Net debt	$	6,299,671	8,594,981
Total equity	$	11,045,559	13,201,632
Debt to equity ratio		57.03 %	65.11 %

As of December 31, 2015, the methods of Consolidated Company's capital management remained unchanged.

(Continued)

7. **Related-party transactions**

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Consolidated Company.

(b) Significant related party transactions

(1) Sales

	2015	2014
Associates	$ 241	(117)
Other related-parties	21	8,136
	$ 262	8,019

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.

(2) Purchases

	2015	2014
Associates	$ 6,524,421	8,879,642
Other related-parties	2,171,267	2,473,863
	$ 8,695,688	11,353,505

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.

(3) Accounts receivable due from related parties

The accounts receivable due from related parties were as follows:

Account	Related party categories	December 31, 2015	December 31, 2014
Accounts receivable	Associates	$ 74	1,008
Accounts receivable	Other related-parties	22	353
Other receivables	Associates	13,478	25,889
Other current assets	Other related-parties	185	294
		$ 13,759	27,544

In 2015 and 2014, revenues from rent and others were $2,572 thousand and $34,700 thousand, respectively.

(4) Accounts payable to related parties

The accounts payable to related parties were as follow:

Account	Related party categories	December 31, 2015	December 31, 2014
Accounts payable	Associates	$ 1,564,920	2,557,482
Accounts payable	Other related-parties	573,230	543,658
Other payables	Associates	48,679	50,246
Other payables	Other related-parties	28,408	30,434
		$ 2,215,237	3,181,820

(5) Services purchased from related parties

The services purchased from related-parties were as follows:

	2015	2014
Associates	$ 75,974	68,206
Other related-parties	23,528	16,592
	$ 99,502	84,798

(6) Property transaction

(i) Property, plant and equipment acquired

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

	2015	2014
Associates	$ 26,038	29,544
Other related-parties	11,264	13,176
	$ 37,302	42,720

(ii) Intangible assets acquired

Related party categories	2015	2014
Associates	$ 42,413	2,400

(iii) 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 $4,207 thousand was recognized under other non-current liabilities; and the realized profits of $16,528 thousand was recognized under other revenues.

The details of the abovementioned transactions were summarized as follows:

Account	Related party categories	2015	2014
Other current liabilities	Associates	$ 4,207	4,889

(Continued)

Account	Related party categories	2015	2014
Other revenue	Associates	$ 682	682

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2015	2014
Short-term employee benefits	$ 85,788	97,062
Post-employee benefits	28,422	3,577
	$ 114,210	100,639

Please refer to note 6(r) for the information of share-based payments.

8. Pledged assets

The carrying values of pledged asses are as follows:

Pledged assets	Pledged to secure	December 31, 2015	December 31, 2014
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	$ 55,946	64,486

9. Commitments and contingencies

(a) Northpeak Wireless, LLC filed a lawsuit against the Company's subsidiary, D-Link Systems, in October 2008, alleging that some of the Company's 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) 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 Company's 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.

(c) Alex Is The Best LLC filed a lawsuit against the Company's subsidiary, D-Link Systems, in March 2015, alleging that some of the Company's 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.

(d) Chrimar Systems Inc. filed a lawsuit against the Company's subsidiary, D-Link Systems, in July 2015, alleging that some of the Company's 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.

(e) Subsidiaries in 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.

(f) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other 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 an outside source, 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.

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other information

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

	2015			2014		
Account	**Cost of goods sold**	**Operating expense**	**Total**	**Cost of goods sold**	**Operating expense**	**Total**
Employee expenses						
Salaries	119,950	3,257,279	3,377,229	129,354	3,323,941	3,453,295
Labor and health insurance	3,828	181,561	185,389	3,760	184,504	188,264
Pension	12,058	171,661	183,719	10,094	154,523	164,617
Others	-	65,437	65,437	-	95,022	95,022
Depreciation	3,736	160,346	164,082	2,298	179,763	182,061
Amortization	497	45,567	46,064	159	35,747	35,906

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) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

		2015				
		Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:						
Third-party customers	$	7,702,934	5,528,828	13,417,186	(34,469)	26,614,479
Inter-company		15,582	1,318	7,689,759	(7,706,659)	-
Total revenue	$	7,718,516	5,530,146	21,106,945	(7,741,128)	26,614,479
Reportable segment profit (loss)	$	(893,842)	(103,112)	(3,643,742)	2,548,696	(2,092,000)

		2014				
		Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:						
Third-party customers	$	8,173,808	6,709,592	15,439,607	(17,205)	30,305,802
Inter-company		34,562	2,083	10,229,225	(10,265,870)	-
Total revenue	$	8,208,370	6,711,675	25,668,832	(10,283,075)	30,305,802
Reportable segment profit (loss)	$	(481,348)	86,608	(129,695)	667,892	143,457

		Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Reportable segment assets:						
December 31, 2015	$	4,858,267	1,917,393	30,321,309	(15,834,350)	21,262,619
December 31, 2014	$	6,600,930	2,815,622	35,534,428	(19,540,870)	25,410,110

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

Total reportable segment revenues after deducting the intergroup revenues were $7,741,128 thousand and $10,283,075 thousand in 2015 and 2014, 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.

(Continued)

(b) Information on the products and services

Revenue from the external customers of the Consolidated Company was as follow:

Products and services		2015	2014
Switch	$	7,077,202	8,375,196
Wireless		9,754,623	10,320,554
Broadband		4,034,228	5,491,222
Digital Home		3,298,201	3,684,702
Network interface card and others		2,349,261	2,311,872
Service revenue		100,964	122,256
Total	$	26,614,479	30,305,802

(c) Geographic information

Country		2015	2014
Revenue from external customers:			
United States	$	4,176,823	3,686,618
Europe		5,528,828	6,709,592
Other countries		16,908,828	19,909,592
	$	26,614,479	30,305,802
Non-current assets			
Taiwan	$	1,095,431	1,101,815
India		492,619	466,045
Other countries		861,425	769,444
Total	$	2,449,475	2,337,304

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

(d) Major customers

There were no individual customers representing greater than 10% of consolidated revenue in 2015 and 2014.