

D-LINK CORPORATION

Non-Consolidated Balance Sheets

June 30, 2002 and 2001

(In thousands of New Taiwan dollars)

| Assets | | 2002 | 2001 | Liabilities and Stockholders' Equity | | 2002 | 2001 |
|--|----|-----------------------------|--------------------------|---|----|-----------------------------|--------------------------|
| Current assets: | | | | Current liabilities: | | | |
| Cash and cash equivalents | \$ | 1,858,032 | 2,328,751 | Short-term borrowings | \$ | | |
| Short-term investments | | 3,410,890 | 45,863 | Notes and accounts payable | | 1,416,660 | 1,808,785 |
| Notes and accounts receivable | | 588,617 | 1,427,310 | Payables to related parties | | 440,269 | 391,735 |
| Receivables from related parties | | 2,681,172 | 2,797,816 | Accrued expenses and other current liabilities | | <u>1,091,563</u> | <u>648,070</u> |
| Inventories | | 910,268 | 1,548,770 | Total current liabilities | | <u>2,948,492</u> | <u>2,848,590</u> |
| Prepaid expenses and other current assets | | <u>345,371</u> | <u>711,123</u> | Bonds payable | | <u>2,345,289</u> | <u>2,372,853</u> |
| Total current assets | | <u>9,794,350</u> | <u>8,859,633</u> | Other non-current liabilities | | <u>1,325,121</u> | <u>573,346</u> |
| Long-term equity investments | | <u>4,311,616</u> | <u>3,660,485</u> | Total liabilities | | <u>6,618,902</u> | <u>5,794,789</u> |
| Property, plant and equipment : | | | | Stockholders' equity : | | | |
| Land | | 95,949 | 95,949 | Common stock | | 5,163,309 | 4,449,866 |
| Buildings and improvements | | 1,401,353 | 1,269,523 | Capital surplus | | 2,803,360 | 2,815,545 |
| Machinery and equipment | | 769,906 | 762,487 | Retained earnings: | | | |
| Other equipment | | 281,608 | 261,179 | Legal reserve | | 523,254 | 427,753 |
| Less: accumulated depreciation | | (660,038) | (540,272) | Special reserve | | 275,530 | 275,530 |
| Construction in progress and prepayment of machinery and equipment | | <u>19,711</u> | <u>195,341</u> | Unappropriated earnings | | 1,073,352 | 899,532 |
| Net property, plant and equipment | | <u>1,908,489</u> | <u>2,044,207</u> | Foreign currency translation adjustment | | <u>(11,285)</u> | <u>118,264</u> |
| Deferred expenses and other assets | | <u>431,967</u> | <u>216,954</u> | Total stockholders' equity | | <u>9,827,520</u> | <u>8,986,490</u> |
| | | | | Commitment and contingent liabilities | | | |
| Total assets | | <u>\$ 16,446,422</u> | <u>14,781,279</u> | Total liabilities and stockholders' equity | | <u>\$ 16,446,422</u> | <u>14,781,279</u> |

D-LINK CORPORATION

Non-Consolidated Statements of Income

For the period ended June 30, 2002 and 2001

(In thousands of New Taiwan dollars, except for net income per common share)

| | 2002 | 2001 |
|---|-------------------|------------------|
| Sales | \$ 7,581,754 | 7,625,943 |
| Cost of goods sold | <u>6,256,898</u> | <u>6,191,995</u> |
| | 1,324,856 | 1,433,948 |
| Net changes in unrealized intercompany profits | <u>35,432</u> | <u>(153,802)</u> |
| Gross profit | <u>1,360,288</u> | <u>1,280,128</u> |
| Operating expenses : | | |
| Selling | (190,727) | (295,153) |
| Administrative | (265,705) | (222,817) |
| Research and development | <u>(382,791)</u> | <u>(250,780)</u> |
| | <u>(839,223)</u> | <u>(768,750)</u> |
| Operating income | <u>521,065</u> | <u>511,378</u> |
| Non-operating income: | | |
| Interest income | 21,208 | 34,601 |
| Investment income, net | | 107,830 |
| Gains on Exchange Net | 98,332 | 122,463 |
| Other | <u>68,365</u> | <u>16,039</u> |
| | <u>187,905</u> | <u>280,933</u> |
| Non-operating expenses: | | |
| Interest expense | (50,757) | (40,883) |
| Investment income, loss | (18,637) | |
| Loss on inventory obsolescence and devaluation | <u>(36,000)</u> | <u>(85,112)</u> |
| | <u>(105,394)</u> | <u>(125,995)</u> |
| Income before income tax | 603,576 | 666,316 |
| Income tax benefit | <u>(48,000)</u> | <u>(42,166)</u> |
| Net income | <u>\$ 555,576</u> | <u>624,150</u> |
| Net income per common share | <u>\$1.08</u> | <u>1.65</u> |
| Primary per common share | | <u>\$1.25</u> |

D-LINK CORPORATION
Consolidated Statements of Cash Flows
For the period ended June 30, 2002 and 2001
(In thousands of New Taiwan dollars)

| | 2002 | 2001 |
|---|---------------------|------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 555,576 | 624,150 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation, amortization and loss from disposal of property and equipment, net | 170,133 | 131,187 |
| Provision for inventory loss, doubtful accounts, allowance for decline in market value of short-term equity investments | 66,795 | 122,167 |
| Investment income in long-term equity investments | 18,637 | (107,830) |
| Unrealized intercompany profits | (35,432) | 153,820 |
| Deferred Income tax | (24,126) | (64,057) |
| Provision for early redemption of convertible bonds | 30,915 | 31,858 |
| Increase in current assets | 986,254 | (1,155,324) |
| Increase (decrease) in current liabilities | (589,074) | 273,890 |
| Cash provided by operating activities | <u>1,179,678</u> | <u>9,861</u> |
| Cash flows from investing activities: | | |
| Increase in receivable from related parties | 164,270 | |
| Additions to property, plant and equipment | (81,236) | (138,796) |
| Proceeds from disposal of property, plant and equipment | 179 | 1,459 |
| Proceeds from disposal of long-term investment | 103,838 | 183,870 |
| Decrease (Increase) in short-term investments | (2,244,327) | 4,616 |
| Increase in long-term equity investments | (53,217) | (130,280) |
| Decrease (increase) in deferred expense and other assets | (31,847) | (183,598) |
| Cash used in investing activities | <u>(2,142,340)</u> | <u>(262,729)</u> |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term borrowings | (130,945) | (630,564) |
| Issuance of convertible bonds | - | 1,300,800 |
| Payment of cash dividend, director remuneration and employee bonus | | |
| Increase (decrease) in long-term borrowings | 600,000 | - |
| Guarantee Deposits Received | - | 5,455 |
| Cash provided by financing activities | <u>469,055</u> | <u>675,691</u> |
| Effect of exchange rate changes on cash | <u>4,818</u> | <u>4,262</u> |
| Net increase (decrease) in cash and cash equivalents | (488,789) | 427,085 |
| Cash and cash equivalents at beginning of year | <u>2,346,821</u> | <u>1,901,666</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,858,032</u> | <u>2,328,751</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash payments of interest (excluding capitalized interest) | <u>\$ 17,946</u> | <u>11,100</u> |
| Cash payments of income tax | <u>\$ 83,884</u> | <u>23,977</u> |
| Supplementary disclosures of non-cash investing and financing activities: | | |
| Convertible bonds applying for conversion | <u>\$ 529,651</u> | <u>677</u> |
| Long-term equity investments transfer to short-term equity investments | <u>\$ -</u> | <u>11,400</u> |