

**D-LINK CORPORATION**

**Non-consolidated Balance Sheets**

**March 31, 2002 and 2001**

**( In thousands of New Taiwan dollars)**

<b>Assets</b>	<b>2001</b>	<b>2002</b>	<b>Liabilities and Stockholders' Equity</b>	<b>2001</b>	<b>2002</b>
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	\$ 2,139,703	1,543,082	Short-term borrowings	\$ 354,670	26,012
Short-term investments	46,335	2,100,522	Issuance of commercial paper	1,593	2,084
Notes and accounts receivable	1,124,906	882,974	Notes and accounts payable	2,028,957	1,487,566
Receivables from related parties	3,244,236	3,852,719	Payables to related parties	481,115	516,898
Inventories	1,735,372	1,052,306	Accrued expenses and other current liabilities	<u>314,811</u>	<u>702,349</u>
Prepaid expenses and other current assets	<u>645,002</u>	<u>241,775</u>	<b>Total current liabilities</b>	<u>3,181,146</u>	<u>2,734,909</u>
<b>Total current assets</b>	<u>8,935,554</u>	<u>9,673,378</u>	<b>Bonds payable</b>	2,293,113	2,365,504
<b>Long-term equity investments</b>	<u>3,584,029</u>	<u>4,520,391</u>	<b>Long-term loan</b>	-	600,000
<b>Property, plant and equipment :</b>			<b>Other non-current liabilities</b>	<u>516,574</u>	<u>730,100</u>
Land	95,949	95,949	<b>Total liabilities</b>	<u>5,990,833</u>	<u>6,430,513</u>
Buildings and improvements	1,266,814	1,401,210			
Machinery and equipment	715,764	748,888	<b>Stockholders' equity :</b>		
Other equipment	<u>258,549</u>	<u>266,092</u>	Common stock	3,788,466	4,596,083
	2,337,076	2,512,139	Capital surplus	3,195,619	3,267,188
Less: accumulated depreciation	(489,503)	(617,092)	Retained earnings:		
Construction in progress and prepayment of machinery and equipment	<u>199,027</u>	<u>27,026</u>	Legal reserve	344,784	427,753
Net property, plant and equipment	<u>2,046,600</u>	<u>1,922,073</u>	Special reserve	275,530	275,530
<b>Deferred expenses and other assets</b>	<u>221,017</u>	<u>478,094</u>	Unappropriated earnings	1,152,298	1,584,256
			Foreign currency translation adjustment	<u>39,670</u>	<u>12,613</u>
			<b>Total stockholders' equity</b>	<u>8,796,367</u>	<u>10,163,423</u>
<b>Total assets</b>	<u>\$ 14,787,200</u>	<u>\$ 16,593,936</u>	<b>Commitment and contingent liabilities</b>		
			<b>Total liabilities and stockholders' equity</b>	<u>\$ 14,787,200</u>	<u>\$ 16,593,936</u>

**D-LINK CORPORATION**

**Non-Consolidated Statements of Income**

**For the period ended March 31, 2001 and 2002**

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

	<b>2001</b>	<b>2002</b>
<b>Sales</b>	\$ 3,703,488	4,034,742
<b>Cost of goods sold</b>	<u>3,022,585</u>	<u>3,355,146</u>
	680,903	679,596
<b>Net changes in unrealized intercompany profits</b>	<u>(96,170)</u>	<u>26,036</u>
<b>Gross profit</b>	<u>584,733</u>	<u>705,632</u>
<b>Operating expenses :</b>		
Selling	115,004	122,551
Administrative	100,153	128,826
Research and development	<u>100,877</u>	<u>192,811</u>
	<u>316,034</u>	<u>444,188</u>
<b>Operating income</b>	<u>268,699</u>	<u>261,444</u>
<b>Non-operating income:</b>		
Interest income	20,090	13,928
Investment income, net	83,109	154,058
Other	<u>22,635</u>	<u>25,666</u>
	<u>125,834</u>	<u>193,652</u>
<b>Non-operating expenses:</b>		
Interest expense	31,362	23,190
Loss on inventory obsolescence and devaluation	15,000	18,000
Loss on Foreign exchange	<u>42,429</u>	<u>-</u>
	<u>88,791</u>	<u>41,190</u>
<b>Income before income tax</b>	305,742	413,906
<b>Income tax expense</b>	<u>-</u>	<u>24,000</u>
<b>Net income</b>	<u>\$ <b>305,742</b></u>	<u>\$ <b>389,906</b></u>
<b>Primary per common share</b>	<u>\$ <b>0.81</b></u>	<u>\$ <b>0.85</b></u>
<b>Diluted per common share</b>	<u>\$ <b>0.80</b></u>	<u>\$ <b>0.81</b></u>

**D-LINK CORPORATION**

**Statements of Cash Flows**

**For the period ended March 31, 2001 and 2002**  
**(In thousands of New Taiwan dollars)**

	<b>2001</b>	<b>2002</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 305,742	\$389,906
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Depreciation, amortization and loss from disposal of property and equipment, net	57,164	88,346
Provision for inventory loss, doubtful accounts, allowance for decline in market value of short-term equity investments	16,726	33,471
Provision for early redemption of convertible bonds	15,841	16,023
Unrealized intercompany profits	96,170	(26,036)
Gain on disposal of long-term investments	(101,349)	-
Investment income in long-term equity investments	18,239	(154,058)
Increase (decrease) in current liabilities	402,782	(363,265)
Increase in current assets	<u>(1,378,391)</u>	<u>(346,602)</u>
<b>Cash provided by operating activities</b>	<u>(567,076)</u>	<u>(362,215)</u>
<b>Cash flows from investing activities:</b>		
Increase in short-term investment	-	(933,959)
Increase in long-term equity investments	(130,280)	(56,911)
Proceeds from disposal of long-term investment	172,563	103,838
Purchase of property, plant and equipment	(84,175)	(35,261)
(Increase) in deferred expense and other assets	<u>(182,343)</u>	<u>(14,171)</u>
<b>Cash used in investing activities</b>	<u>(224,235)</u>	<u>(936,464)</u>
<b>Cash flows from financing activities:</b>		
(Decrease) in short-term borrowings	(275,786)	(104,933)
Issuance of convertible bonds	-	600,000
Issuance of bonds	1,300,800	-
Guarantee Deposits Received	<u>4,216</u>	<u>-</u>
<b>Cash provided by financing activities</b>	<u>1,029,230</u>	<u>495,067</u>
<b>Effect of exchange rate changes on cash</b>	<u>118</u>	<u>(127)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	238,037	(803,739)
<b>Cash and cash equivalents at beginning of year</b>	<u>1,901,666</u>	<u>2,346,821</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>2,139,703</u></b>	<b>\$ <u>1,543,082</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash payments of interest (excluding capitalized interest)	<b>\$ <u>17,475</u></b>	<b>\$ <u>33,083</u></b>
<b>Supplementary disclosures of non-cash investing and financing activities:</b>		
Convertible bonds applying for conversion	<b>\$ <u>-</u></b>	<b>\$ <u>575,584</u></b>