

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2006 and 2007

(In thousands of New Taiwan dollars)

Assets	2006/3/31	%	2007/3/31	%	Liabilities and Stockholders' Equity	2006/3/31	%	2007/3/31	%
Current assets					Current liabilities:				
Cash and cash equivalents	4,665,415	17	6,948,650	22	Short-term borrowings	\$ 639,557	2	\$ 448,806	1
Short-term investments	325,503	1	1,178,719	4	Notes and accounts payable	4,291,083	16	5,438,275	17
Notes and accounts receivable, net	7,055,951	26	8,014,301	24	Payables to related parties	1,698,427	7	1,214,570	4
Receivables from related parties	128,008	1	280,928	1	Current portion of long-term debts	6,009	0	3,502	0
Other financial assets-current	22,307	0	631	0	Income tax payable	541,393	2	495,410	2
Inventories	7,281,654	27	8,046,279	24	Other current liabilities	2,805,711	10	3,519,807	11
Other current assets	706,487	3	1,055,740	3	Total current liabilities	<u>9,982,180</u>	<u>37</u>	<u>11,120,370</u>	<u>34</u>
Restricted assets	130,000	1	0	0	Long-term liabilities bearing interest:				
Total current assets	<u>20,315,325</u>	<u>76</u>	<u>25,525,247</u>	<u>78</u>	Bonds payable				
					Long-term debts and lease obligations payable, excluding current installments	1,065,843	4	1,097,256	3
Funds and long-term investments					Total long-term liabilities	<u>1,065,843</u>	<u>4</u>	<u>1,097,256</u>	<u>3</u>
Long-term financial asset-available-for-sales securities	1,030,254	4	1,402,880	4	Other liabilities				
Long-term financial asset under cost method-non-curr	410,091	2	613,765	2	Accrued pension				
Long-term investments under equity method	1,102,800	4	927,373	3	Deferred credit and others	585,483	2	645,238	2
Other financial assets-noncurrent	12,625	0	11,677	0	Total other liabilities	<u>585,483</u>	<u>2</u>	<u>645,238</u>	<u>2</u>
	<u>2,555,770</u>	<u>10</u>	<u>2,955,695</u>	<u>9</u>	Total liabilities	<u>11,633,506</u>	<u>43</u>	<u>12,862,863</u>	<u>39</u>
Property, plant and equipment					Stockholders' equity				
Land	531,453	2	531,453	2	Common stock	6,091,618	24	6,633,780	21
Buildings and improvements	2,067,334	7	2,274,643	7	Capital surplus	2,436,896	9	2,067,585	6
Machinery and equipment	1,273,116	5	1,607,212	5	Retained earnings:				
Other equipment	545,432	2	719,187	2	Legal reserve	1,007	4	1,171	0
	<u>4,417,336</u>	<u>16</u>	<u>5,132,494</u>	<u>16</u>	Unappropriated earnings	4,539,028	13	6,254,771	19
Less: accumulated depreciation	1,274,307	5	1,683,497	5		4,540,036	17	6,255,942	19
Less: assets impairment loss					Foreign currency translation adjustment	180,458	1	421,254	1
Construction in progress and prepayment for purchases of machinery and equipment	107,914	0	44,029	0	Long-term investments- securities fair value adjustment	146,021	1	800,949	2
Net property, plant and equipment	<u>3,250,942</u>	<u>12</u>	<u>3,493,027</u>	<u>11</u>	Treasury stock	(448,716)	(2)		
Other assets:					Equity belonged to parent company's shareholders	12,946,314	48	16,179,509	49
Assets held for lease	248,296	1	229,562	1	Minority Interest	2,291,223	9	3,854,584	12
Others	500,710	1	693,426	1					
Total other assets	<u>749,006</u>	<u>2</u>	<u>922,988</u>	<u>2</u>					
Total assets	<u>26,871,043</u>	<u>100</u>	<u>32,896,957</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 26,871,043</u>	<u>100</u>	<u>\$ 32,896,957</u>	<u>100</u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2006 and 2007

(In thousands of New Taiwan dollars)

	2006	%	2007	%
Sales	\$ 9,543,148	100	\$ 10,455,799	100
Cost of goods sold	6,431,060	67	6,847,958	65
	3,112,088	33	3,607,842	35
Net changes in unrealized profit in inter-company sales				
Gross Profit	3,112,088	33	3,607,842	35
Operating expenses				
Selling	1,873,200	20	1,976,378	19
Administrative	227,021	2	287,283	3
Research and development	274,554	3	391,897	4
	2,374,775	25	2,655,557	26
Operating income	737,312	8	952,285	9
Nonoperating income:				
Interest income	27,544	0	46,148	0
Exchange gain, net	60,871	1	116,088	1
Gain on disposal of investments	1,363	0	454,885	4
Investment income from long-term investments under equity method, net	60,686	1	30,351	0
Other income, net	8,991	0		
	159,455	2	647,471	5
Nonoperating expenses:				
Interest expenses	24,199	0	16,263	0
Loss on inventory obsolescence and devaluation	84,324	1	141,865	1
Other expense, net			23,332	0
	108,523	1	181,461	1
Income before income taxes and minority interest	788,244	8	1,418,294	13
Income tax expenses	120,801	1	123,405	1
Income before cumulative effect of changes in accounting principles	667,443	7	1,294,889	12
Cumulative effect of changes in accounting principles	31,518	0		
Net income	698,961	7	1,294,889	12
Net income attributed to holding company	588,548	6	1,146,208	11
Net income attributed to minority interest	110,413	1	148,681	1
	698,961	7	1,294,889	12