D-LINK CORPORATION

Non-consolidated Financial Statements

December 31, 2002 and 2003

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
D-Link Corporation:

We have audited the accompanying non-consolidated balance sheets of D-Link Corporation as of December 31, 2002 and 2003, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investee companies of the Company accounted for under the equity method. The Company's investment in these companies was $153,444 thousand and $206,323 thousand as of December 31, 2002 and 2003, respectively, and its equity in income was $5,500 thousand and $26,530 thousand for the years ended December 31, 2002 and 2003, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the investee companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of D-Link Corporation as of December 31, 2002 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

D-Link Corporation's shareholders resolved the spin-off plan on May 8, 2003, whereby on August 16, 2003, D-Link Corporation spun off its original design manufacturing and original equipment manufacturing ("ODM/OEM") business from its D-Link brand business and transferred related operating assets and liabilities to establish Alpha Networks Inc. The related operating income of the ODM/OEM business division was included in income from discontinued operations in the accompanying 2002 and 2003 non-consolidated statements of income.

KPMG

Hsinchu, Taiwan (the Republic of China)

March 19, 2004

The accompanying non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices to audit such non-consolidated financial statements are those generally accepted and applied in the Republic of China.

D-LINK CORPORATION

Non-consolidated Balance Sheets

December 31, 2002 and 2003
(In thousands of New Taiwan dollars)

Assets	2002	2003
Current assets:		
Cash and cash equivalents (note 3)	$ 1,039,717	674,739
Short-term investments (note 4)	3,203,841	2,496,653
Notes and accounts receivable, net (note 5)	1,002,963	853,521
Receivables from related parties (note 18)	3,433,078	4,837,909
Other financial assets—current (note 18)	70,220	117,415
Restricted assets (note 19)	-	894,756
Inventories (note 6)	1,093,851	1,692,325
Other current assets (note 16)	147,850	271,253
Total current assets	9,991,520	11,838,571
Long-term investments (notes 7 and 18)**:**		
Long-term investments under equity method	4,040,713	7,300,065
Long-term investments under cost method	84,790	15,768
Total long-term investments	4,125,503	7,315,833
Other financial assets—noncurrent (note 19)	13,335	13,583
Property, plant and equipment (notes 9 and 19)**:**		
Land	95,949	95,949
Buildings and improvements	1,396,236	489,197
Machinery and equipment	781,950	30,942
Other equipment	211,894	67,787
	2,486,029	683,875
Less: accumulated depreciation	(659,052)	(153,768)
Construction in progress and prepayment for purchases of machinery and equipment	15,983	-
Net property, plant and equipment	1,842,960	530,107
Other assets:		
Assets held for lease (note 8)	143,891	-
Long-term receivable—related parties (note 18)	229,840	-
Prepaid pension cost and others (notes 13 and 16)	203,485	137,610
Total other assets	577,216	137,610
Total assets	$ 16,550,534	19,835,704

Liabilities and Stockholders' Equity	2002	2003
Current liabilities:		
Short-term borrowings (note 10)	$ -	465,460
Notes and accounts payable	1,958,475	3,895,907
Payables to related parties (note 18)	686,078	1,153,437
Accrued expenses	460,396	646,592
Current portion of long-term debts (notes 11 and 12)	-	2,399,994
Other current liabilities	116,754	259,260
Deferred credits—unrealized inter-company profits	565,423	469,963
Total current liabilities	3,787,126	9,290,613
Long-term liabilities bearing interest:		
Bonds payable (note 11)	2,401,164	-
Long-term debts, excluding current installments (note 12)	600,000	200,000
Total long-term liabilities	3,001,164	200,000
Other liabilities (note 13)	155,249	201,663
Total liabilities	6,943,539	9,692,276
Stockholders' equity (note 14)**:**		
Common stock	5,163,307	5,137,771
Capital surplus	2,790,203	2,940,261
Retained earnings:		
Legal reserve	523,254	610,282
Special reserve	275,530	-
Unappropriated earnings	1,379,825	1,724,066
	2,178,609	2,334,348
Foreign currency translation adjustment	117,972	197,719
Treasury stock	(643,096)	(466,671)
Total stockholders' equity	9,606,995	10,143,428
Commitments and contingencies (notes 18 and 20)		
Total liabilities and stockholders' equity	$ 16,550,534	19,835,704

See accompanying notes to non-consolidated financial statements.

D-LINK CORPORATION

Non-consolidated Statements of Income

Years ended December 31, 2002 and 2003
(In thousands of New Taiwan dollars, except for net income per common share)

	2002	2003
Sales (note 18)	$ 11,969,043	14,110,021
Cost of goods sold (notes 18 and 21)	10,740,189	12,437,397
	1,228,854	1,672,624
Net change in unrealized profit on inter-company sales	(165,513)	95,460
Gross profit	1,063,341	1,768,084
Operating expenses (notes 18 and 21)**:**		
Selling	316,127	324,944
Administrative	232,013	280,432
Research and development	-	33,218
	548,140	638,594
Operating income	515,201	1,129,490
Non-operating income:		
Interest income	28,214	19,473
Gain on disposal of investments	76,194	41,054
Investment income from long-term investments under equity method, net (note 7)	-	68,873
Exchange gain, net	136,365	74,009
Rental income	35,168	21,024
Other income, net	122,727	143,957
	398,668	368,390
Non-operating expenses:		
Interest expense (note 11)	104,828	120,243
Investment loss on long-term investments under equity method, net (note 7)	146,135	-
Investment loss on long-term investments under cost method, net (note 7)	-	69,022
Loss on inventory obsolescence and devaluation	51,009	164,760
Other loss, net	71,062	52,169
	373,034	406,194
Income from continuing operations before income taxes	540,835	1,091,686
Income tax expenses (note 16)	53,717	106,358
Net income from continuing operations	487,118	985,328
Income from discontinued operations, net of income tax effect (note 21)	380,981	388,807
Net income	**$ 868,099**	**1,374,135**

	2002 Before-taxes	2002 After-taxes	2003 Before-taxes	2003 After-taxes
Net income per common share (note 15)**:**				
Basic EPS—retroactive:				
Continuing operations	$ 1.03	0.93	2.19	1.97
Discontinued operations	0.81	0.73	0.84	0.78
	$ 1.84	**1.66**	**3.03**	**2.75**
Diluted EPS—retroactive:				
Continuing operations	$ 1.00	0.90	2.10	1.88
Discontinued operations	0.78	0.70	0.77	0.71
	$ 1.78	**1.60**	**2.87**	**2.59**

See accompanying notes to non-consolidated financial statements.

D-LINK CORPORATION

Non-consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2002 and 2003
(In thousands of New Taiwan dollars)

				Retained Earnings					
	Common stock	**Certificates for conversion of convertible bonds**	**Capital surplus**	**Legal reserve**	**Special reserve**	**Unappro-priated earnings**	**Foreign currency translation adjustment**	**Treasury stock**	**Total stockholders' equity**
Balance at January 1, 2002	$ 4,459,414	25	2,821,407	427,753	275,530	1,194,350	100,131	-	9,278,610
Appropriation of earnings:									
Legal reserve	-	-	-	95,501	-	(95,501)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	(17,190)	-	-	(17,190)
Cash dividends	-	-	-	-	-	(456,987)	-	-	(456,987)
Employees' bonuses	107,000	-	-	-	-	(107,438)	-	-	(438)
Capital surplus transferred to common stock	456,987	-	(456,987)	-	-	-	-	-	-
Gain on disposal of property and equipment transferred to retained earnings	-	-	(2,184)	-	-	2,184	-	-	-
Convertible bonds applying for conversion	139,906	(25)	452,768	-	-	-	-	-	592,649
Net income for 2002	-	-	-	-	-	868,099	-	-	868,099
Effect of disposal of long-term equity investments on capital surplus	-	-	(13,479)	-	-	-	-	-	(13,479)
Foreign currency translation adjustment	-	-	-	-	-	-	17,841	-	17,841
Purchase of treasury stock	-	-	-	-	-	-	-	(643,096)	(643,096)
Effect of disproportionate participation in investee's capital increase	-	-	(11,322)	-	-	(7,692)	-	-	(19,014)
Balance at December 31, 2002	5,163,307	-	2,790,203	523,254	275,530	1,379,825	117,972	(643,096)	9,606,995
Appropriation of earnings:									
Legal reserve	-	-	-	87,028	-	(87,028)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	(15,622)	-	-	(15,622)
Cash dividends	-	-	-	-	-	(735,466)	-	-	(735,466)
Employees' bonuses	96,000	-	-	-	-	(97,634)	-	-	(1,634)
Convertible bonds applying for conversion	138,664	-	270,719	-	-	-	-	-	409,383
Net income for 2003	-	-	-	-	-	1,374,135	-	-	1,374,135
Effect of disposal of long-term equity investments on capital surplus	-	-	(3,271)	-	-	-	-	-	(3,271)
Foreign currency translation adjustment	-	-	-	-	-	-	79,747	-	79,747
Purchase of treasury stock	-	-	-	-	-	-	-	(579,045)	(579,045)
Cancellation of treasury stock	(260,200)	-	(139,851)	-	-	(355,419)	-	755,470	-
Special reserve transferred to unappropriated earnings	-	-	-	-	(275,530)	275,530	-	-	-
Effect of disproportionate participation in investee's capital increase	-	-	22,461	-	-	(14,255)	-	-	8,206
Balance at December 31, 2003	**$ 5,137,771**	**-**	**2,940,261**	**610,282**	**-**	**1,724,066**	**197,719**	**(466,671)**	**10,143,428**

See accompanying notes to non-consolidated financial statements.

D-LINK CORPORATION
Non-consolidated Statements of Cash Flows
Years ended December 31, 2002 and 2003
(In thousands of New Taiwan dollars)

		2002	2003
Cash flows from operating activities:			
Net income	$	868,099	1,374,135
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		353,833	260,804
Provision for inventory devaluation loss, allowance for doubtful accounts, and accrued pension		291,786	274,759
Net investment loss (gain) on long-term investments under equity method		188,610	(10,974)
Cash dividend received		9,687	259,028
Investment loss on long-term investments under cost method		-	69,022
Net changes in unrealized inter-company profits		165,513	(95,460)
Provision for early redemption of convertible bonds		60,999	59,596
Other gain or loss with no cash impacts		(3,300)	(22,828)
Increase in operation-related current assets		(521,537)	(2,551,011)
Increase in operation-related current liabilities		290,204	2,552,342
Cash provided by operating activities		1,703,894	2,169,413
Cash flows from investing activities:			
Decrease (increase) in receivables from related parties		(131,885)	624,920
Decrease (increase) in short-term investments		(2,037,278)	707,188
Proceeds from disposal of long-term equity investments		107,720	12,090
Additions to property, plant and equipment		(151,619)	(94,430)
Increase in restricted assets		-	(894,756)
Proceeds from disposal of property and equipment		2,394	2,736
Increase in long-term equity investments		(169,662)	(1,097,847)
Increase in deferred expenses		(54,470)	(72,435)
Cash paid to Alpha for spin-off		-	(821,138)
Cash used in investing activities		(2,434,800)	(1,633,672)
Cash flows from financing activities:			
Payments of cash dividends, directors' and supervisors' remuneration, and employees' bonuses		(474,615)	(752,722)
Increase (decrease) in short-term debts		(130,945)	465,460
Increase in long-term debts		600,000	-
Purchase of treasury stock		(573,982)	(648,159)
Redemption of convertible bonds		-	(10,645)
Increase in deposits in and other		(1,400)	(2,530)
Cash used in financing activities		(580,942)	(948,596)
Effect of exchange rate change on cash		4,744	47,877
Net decrease in cash and cash equivalents		(1,307,104)	(364,978)
Cash and cash equivalents at beginning of year		2,346,821	1,039,717
Cash and cash equivalents at end of year	$	**1,039,717**	**674,739**
Supplemental disclosure of cash flow information:			
Cash payments of interest (excluding capitalized interest)	$	**41,568**	**57,795**
Cash payments of income tax	$	**83,884**	**46,882**
Supplementary disclosure of non-cash investing and financing activities:			
Convertible bonds applying for conversion	$	**592,649**	**409,383**
Contribution of accounts receivable as capital in kind to investee company	$	**-**	**95,000**
Supplementary disclosure of assets, liabilities, and cash paid for spin-off:			
Payables to related parties	$	-	159,625
Long-term equity investments		-	5,543
Buildings and improvements		-	924,029
Machinery, research and development equipment, etc.		-	421,596
Intangible assets, deferred expenses and other assets		-	249,379
Accrued pension		-	(226,537)
Net assets		-	1,533,635
Common shares received from Alpha (200 million shares at $11.77 per share)		-	(2,354,773)
Cash paid to Alpha for spin-off	$	**-**	**(821,138)**

Please refer to note 1 for further information with regard to the spin-off of ODM/OEM business division to establish Alpha Networks Inc.

See accompanying notes to non-consolidated financial statements.

D-LINK CORPORATION

December 31, 2002 and 2003

(Amounts expressed in thousands of New Taiwan dollars, except for per share information and unless otherwise noted)

1. Organization and Business Scope

D-Link Corporation ("the Company") was founded in the Hsinchu Science Park in the Republic of China ("ROC") on June 20, 1987. The Company's main activities include the research, development, production and sale of personal computers, local area network systems, and spare parts for integrated circuits.

On May 8, 2003, the Company's shareholders' meeting resolved a spin-off whereby on August 16, 2003, the Company separated its original design manufacturing and original equipment manufacturing ("ODM/OEM") operations from its D-Link brand business and transferred related operations' assets and liabilities to establish Alpha Networks Inc. ("Alpha"). The Company received 200 million common shares (par value NT$10) from Alpha at $11.77 per share. The book value of ODM/OEM business division's assets and liabilities transferred to Alpha were as follows:

Assets:	
Cash	$ 821,138
Receivable from related parties	159,625
Long-term equity investment	5,543
Building	924,029
Machinery and equipment	421,596
Intangible assets, deferred expenses, and others	249,379
Liabilities:	
Accrued pension	(226,537)
Net assets	**$ 2,354,773**

The aforementioned included subsequent adjustment to accrued pension, deferred income tax assets, and receivable from related parties. This adjustment did not alter total assets transferred.

As of December 31, 2003, the Company had 181 employees, after deducting the 1,351 employees that transferred to Alpha due to the spin-off.

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D-LINK CORPORATION

Notes to non-consolidated Financial Statements

2. Summary of Significant Accounting Policies

The accompanying non-consolidated financial statements are prepared in accordance with accounting principles generally accepted in the Republic of China. The major accounting policies and measurement basis adopted in preparing the accompanying non-consolidated financial statements are summarized as follows:

(a) The spin-off

The accounting treatment for the Company's spin-off of ODM/OEM operations to establish, Alpha and obtaining the common shares of Alpha in return was based on the net book values of the assets transferred (less impairment loss, if any) minus the liabilities as the cost of acquiring Alpha's common shares. There were no exchange gains or losses.

(b) Foreign currency transactions and translation

The Company maintains its books in New Taiwan dollars. Foreign currency transactions are recorded at the exchange rate prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting exchange gains or losses from settlement of such transactions or translation of foreign monetary assets or liabilities are reflected in the accompanying non-consolidated statements of income.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date, with the exception of stockholders' equity, which is translated at historical rates, and revenue, costs and expenses, which are translated at the weighted-average exchange rates during the reporting period. Translation differences resulting from the translation of such financial statements into New Taiwan dollars are recorded as a foreign currency translation adjustment, a separate component of stockholders' equity.

(c) Cash equivalents

The Company considers all highly liquid investments, such as investments in bonds with repurchase agreements, with a maturity of three months or less to be cash equivalents.

(d) Short-term investments

Short-term investments are stated at the lower of cost or market value. Market value is determined using the net asset value of open-end mutual funds on the last day of the period, and the average closing price of the last month of the period for publicly listed securities.

(Continued)

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on accounts receivable aging analysis and the expected collectibility of accounts receivable.

(f) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted-average method. The market value of raw materials is determined on the basis of replacement cost. The market value of work in process and finished goods is determined on the basis of net realizable value.

(g) Long-term equity investments

Long-term equity investments in non-listed companies whereby the Company owns less than 20 percent of the investee's voting shares and is not able to exercise significant influence over the investee's operations and financial policies are accounted for by the cost method. If there is evidence indicating that a decline in the value of such an investment is other than temporary, then the carrying amount of the investment is reduced to reflect its net realizable value. The related loss is recognized in the accompanying non-consolidated statements of income.

Long-term equity investments in which the Company, directly or indirectly, owns greater than 20 percent of the investee's voting shares, or less than 20 percent of the investee's voting shares but is able to exercise significant influence over the investee's operations and financial policies, are accounted for by the equity method. The difference between the acquisition cost and the net equity of the investee as of the acquisition date is deferred and amortized from five to ten years using the straight-line method, and the amortization is recorded as investment income or loss in the accompanying non-consolidated statements of income.

For long-term equity investments in which the Company owns less than 50% of an investee's voting shares and is not able to obtain the investee's current year financial statements, the Company shall recognize its share of the incomes or losses of the investee in the following year when such financial statements are obtained. Such delay in recording the investee's incomes or losses shall be consistently applied afterward.

All significant inter-company gains or losses with investees accounted for under the equity method are deferred. These gains or losses are recognized in the year that the gain or loss is realized through a third-party transaction or over the remaining useful life of property, plant and equipment sold through a related-party transaction.

(Continued)

Investments which give the Company more than 50% ownership are accounted for under the equity method and are consolidated into the Company's financial statements at the end of each fiscal year, except for those whose total assets and revenues do not exceed 10% of the Company's total assets and revenues and whose total unconsolidated assets and revenues do not exceed 30% of the Company's total assets and revenues.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost. Costs associated with significant additions, improvements, and replacements to property, plant and equipment are capitalized. Repairs and maintenance are charged to expenses as incurred. Interest costs related to the construction of property, plant and equipment are capitalized and included in the cost of the related asset. Depreciation of property, plant and equipment is provided for by using the straight-line method over the estimated useful lives of the assets.

The useful lives of property, plant and equipment are as follows:

(1) Buildings and improvements: 5~55 years.
(2) Machinery and equipment: 3~10 years
(3) Transportation, office equipment and others: 2~8 years

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or losses in the non-consolidated statements of income.

(i) Deferred expenses

The purchase costs of software and mold development cost are recorded as deferred expenses and are amortized over periods ranging from two to five years, on a straight-line basis.

Issuance costs of convertible bonds with a redemption right are amortized by using the straight-line method over the period from the bond issue date to the expiration date of the redemption right. When the bondholders exercise the conversion right or the redemption right of the bonds before maturity, the proportionate issuance costs not yet amortized are recognized at that date.

(j) Convertible bonds

For convertible bonds issued with an option allowing the bondholders to redeem their bonds for cash at a premium over par value, the premium is amortized over the period from the issuance of such bonds to the initial redemption date.

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When the bondholders exercise their conversion right, the amounts of unamortized issuance costs, forfeited unpaid interest, reserve for redemption premium, and par value of the extinguished bonds are transferred to stockholders' equity. The excess of such amounts over the par value of the certificate for conversion of the convertible bonds is recorded as capital surplus in the accompanying non-consolidated balance sheets.

(k) Financial derivatives

(1) Forward foreign currency exchange contracts

Forward foreign currency exchange contracts committed to hedge foreign currency receivables and payables are translated into New Taiwan dollars using exchange rates prevailing on the balance sheet date. The translation difference is recorded as an exchange gain or loss in the accompanying non-consolidated statements of income. The difference between the forward and the spot rate on the date the contract is entered into is amortized as an exchange gain or loss over the term of the contract.

(2) Foreign currency option contracts

Foreign currency option premiums are deferred and recorded as an exchange gain or loss in the accompanying non-consolidated statements of income when the contract expires or is settled.

(l) Retirement plan

The Company has established an employee noncontributory retirement plan (the "Plan") covering all regular employees in Taiwan. In accordance with the Plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on years of service and the average salary for the six-month period before the employee's retirement. 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 45 months of salary. The Company contributes 2 percent of wages and salaries to a pension fund maintained with the Central Trust of China on a monthly basis. Retirement benefits are paid to eligible participants on a lump-sum basis upon retirement.
The Company has adopted ROC Statement of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions." SFAS No. 18 requires the Company to perform an actuarial calculation of its pension obligation as of each fiscal year-end. Based on the actuarial calculation, the Company recognizes net periodic pension costs. In certain cases, an additional minimum liability may be recognized through a direct charge to stockholders' equity.

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(m) Revenue recognition

Revenue is recognized when title to the products and the risks and rewards of ownership are transferred to the customers, which occurs principally at the time of shipment. Allowances and related provisions for sales returns are estimated based on historical experience. Such provisions are deducted from sales in the year the products are sold.

(n) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly.

Classification of deferred income tax assets or liabilities as current or non-current is based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the asset’s or liability’s expected realization date.

According to the ROC Income Tax Law, the Company’s undistributed income earned after December 31, 1997, is subject to an additional 10 percent corporate income surtax. The surtax is charged to income tax expense after the appropriation of earnings is approved by the stockholders in the following year.

(o) Treasury stock

Pursuant to ROC SFAS No. 30, “Accounting for Treasury Stock”, the outstanding shares of the Company purchased back by itself should be recorded as treasury stock at the purchasing cost before such shares are disposed of or retired.

If treasury stock is disposed of afterward, the difference is recorded as capital surplus when the disposal price is higher than the carrying amount; when the situation is reversed, the difference is recorded as a reduction in capital surplus generated from treasury stock transaction, and any insufficiency is applied to retained earnings. The carrying amount of the treasury stock is calculated by using the weighted-average method.

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When retiring treasury stock, common stock and capital surplus derived from paid-in capital in excess of par value should be eliminated proportionally. If the carrying amount of retired treasury stock is higher than the eliminated amount of common stock and capital surplus, then the difference is recorded as a reduction in capital surplus derived from treasury stock with any insufficiency applied to retained earnings; when the situation is reversed, the difference is recorded as capital surplus.

(p) Net income per common share

Net income per common share are calculated based on the weighted-average number of common shares outstanding during the period. 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.

Overseas convertible bonds and domestic convertible bonds issued by the Company in 2001 and 1999, respectively, are potential common stock. If there is a dilutive effect, both basic and dilutive net income per common share will be disclosed. For dilutive earnings per common share, the net income and the weighted-average number of common shares outstanding during the period should be adjusted to include the dilutive effects of the potential common stock, assuming that they are outstanding during the whole period.

3. Cash and Cash Equivalents

		December31,	
		2002	**2003**
Cash on hand, checking and savings accounts	$	81,405	469,703
Time deposits		848,112	190,036
Cash equivalents		110,200	15,000
	$	**1,039,717**	**674,739**

D-LINK CORPORATION

Notes to non-consolidated Financial Statements

4. Short-term Investments

The components of short-term investments as of December 31, 2002 and 2003, are summarized below:

	December31,	
	2002	2003
Publicly listed stocks	$ 11,400	25,098
Mutual funds	3,138,184	2,471,555
Credit-linked deposits	69,460	-
Less: allowance for decline in market value	(15,203)	-
	$ 3,203,841	2,496,653
Market value	$ 3,203,841	2,506,240

5. Notes and Accounts Receivable

The components of notes and accounts receivable as of December 31, 2002 and 2003, are summarized below:

	December31,	
	2002	2003
Notes receivable	$ 16,774	165
Accounts receivable	1,048,337	950,824
Less: allowance for doubtful accounts	(62,148)	(97,468)
	$ 1,002,963	853,521

6. Inventories

The components of inventories as of December 31, 2002 and 2003, are summarized below:

	December31,	
	2002	2003
Merchandise	$ 27,230	226,894
Finished goods	295,868	109,977
Work in process	343,571	492,770
Raw materials	635,962	1,206,427
Provision for obsolescence and devaluation	(208,780)	(343,743)
	$ 1,093,851	1,692,325
Insurance coverage on inventories	$ 1,600,000	1,660,000

(Continued)

D-LINK CORPORATION

Notes to non-consolidated Financial Statements

7. Long-term Investments

Long-term investments and related investment income or loss as of and for the years ended December 31, 2002 and 2003, are summarized below:

Investee	December 31, 2002 Percentage of ownership	Acquisition cost	Book value	2002 Investment income (loss)
Equity method:				
D-Link Systems, Inc. (DSI)	93	$ 555,915	532,093	(59,178)
D-Link Europe Ltd. (DEL)	-	-	-	(296,660)
D-Link Deutschland	-	120,050	120,050	-
Yeo-Mao Investment, Inc. (YMI)	100	190,000	634,154	141,885
D-Link Holding Company Ltd. (DHCL)	100	258,218	620,614	(37,183)
Yeo-Chia Investment Ltd. (YCI)	100	600,000	1,155,669	67,578
D-Link Technology Venture Capital Investment Inc. (DTVCI)	100	350,000	283,330	(30,747)
D-Link Taiwan, Inc. (DTI)	53	140,559	180,242	5,880
D-Link Australia Pty Ltd. (DAPL)	100	51,419	139,380	17,249
Cameo Communications, Inc. (CCI)	13	154,372	200,576	39,823
Others		283,828	174,605	(37,257)
		2,704,361	4,040,713	(188,610)
Cost method		84,790	84,790	-
		$ 2,789,151	4,125,503	(188,610)
Investment income from discontinued operations				42,475
				$ (146,135)

(Continued)

D-LINK CORPORATION

Notes to non-consolidated Financial Statements

Investee	December 31, 2003 Percentage of ownership	Acquisition cost	Book value	2003 Investment income (loss)
Equity method:				
D-Link Systems, Inc. (DSI)	93	$ 555,915	551,968	33,665
D-Link Deutschland	-	120,050	120,050	-
Yeo-Mao Investment, Inc. (YMI)	100	190,000	433,219	67,341
D-Link Holding Company Ltd. (DHCL)	100	766,366	922,038	(281,499)
Yeo-Chia Investment Ltd. (YCI)	100	600,000	1,017,819	(42,641)
D-Link Technology Venture Capital Investment Inc. (DTVCI)	100	350,000	482,171	178,579
D-Link Taiwan, Inc. (DTI)	69	266,256	300,313	(4,781)
D-Link Australia Pty Ltd. (DAPL)	100	51,419	191,982	15,809
Cameo Communications, Inc. (CCI)	13	154,372	219,794	34,197
Alpha Networks Inc. (ASCL)	100	2,354,773	2,401,074	45,777
Others		265,514	194,877	(35,473)
		5,674,665	6,835,305	10,974
Cost method:		84,790	15,768	-
Advance payment for investment—Alpha		464,760	464,760	-
		$ 6,224,215	7,315,833	10,974
Investment gain from discontinued operations				57,899
				$ 68,873

In 2002, the Company found there was a permanent impairment in the value of its investment in Azure Venture Partners I, L.P. and Ewave System. An investment loss equal to their carrying amount of $69,022 was recognized to reflect such decline.

The Company and its subsidiary, YCI, made additional investments to W-Link System Inc. ("W-Link") in August 2003 through contribution of accounts receivable amounting to $95,000 and cash amounting to $25,000, respectively. The Company had provided allowance of doubtful account amounting to $120,000 for its receivables due from W-Link previously, the provision was reversed when the capital increase of W-Link was concluded. The reversal was then offsetting with the Company and YCI's equity in loss on W-Link in 2003.

(Continued)

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Notes to non-consolidated Financial Statements

8. Assets Held for Lease

The Company purchased a plant located in the Hsinchu Science Park and entered into a land lease agreement with the Science Park Bureau. The duration of the land lease agreement is from August 2002 to December 2020. Before the commencement of construction work, the plant is held for lease. In October 2003, the plant transferred to the Company's, own use and was recorded under property, plant and equipment. As of December 31, 2002, the components of the leased assets were as below:

	2002
Cost	
Building	$ 80,984
Building improvement	84,790
	165,774
Accumulated depreciation	
Building	2,099
Building improvement	19,784
	21,883
Net carrying amount	**$ 143,891**

9. Insurance Coverage of Property, Plant and Equipment

As of December 31, 2002 and 2003, insurance coverage for depreciable property, plant and equipment amounted to $1,984,500 and $343,000, respectively.

10. Short-term Borrowings

Short-term borrowings consisted of the following as of December 31, 2002 and 2003:

	2002		2003	
	Amount	**Rate %**	**Amount**	**Rate %**
Usance letters of credit	**$ -**	-	**465,460**	1.74~2.00
Unused credit facilities	**$ 2,798,848**		**1,294,711**	

(Continued)

11. Bonds Payable

A summary of the major terms of the bonds payable outstanding as of December 31, 2002 and 2003, is as follows:

(a) The second issuance of domestic convertible bonds

- Par value: $1.5 billion.
- Issue date: September 28, 1999.
- Issue price: at par value.
- Duration: seven years, maturing on September 27, 2006.
- Coupon rate: 0%
- Conversion objective: the Company's common stock.
- Conversion price:

  The conversion price was 64.2 New Taiwan dollars per share when the bonds were issued. As of July 1, 2003, the conversion price was adjusted to $34.1 New Taiwan dollars per share based on the prescribed formula.

- Conversion period:

  The bondholders may exercise their conversion right at any time during the period from three months after the issuance date to ten days before the maturity date, by converting the bonds into a certificate for conversion of convertible bonds, and then converting the certificate into common stock.

- Redemption right:

  The bondholders may redeem their bonds within the first thirty days of the third year and the fifth year after the issuance date, at a redemption price of 121.82% and 143.56%, respectively, of the par value of the bonds at such dates. The bondholders my also redeem their bonds within the period from the beginning of the sixth year after the issuance date to ten days prior to the maturity date, at their par value.

  For conservative consideration, the Company recorded the above-mentioned convertible bonds as current liabilities, which does not necessarily mean that the Company should fully paid them off in the following year.

(Continued)

(b) The first issuance of foreign convertible bonds

- Par value: US$40 million.
- Issue date: March 21, 2001.
- Issue price: at par value.
- Duration: five years, maturing on March 21, 2006.
- Coupon rate: 0%.
- Conversion objective: the Company’s common stock or global depository receipts (GDRs).
- Conversion period:

  The bondholders may exercise their conversion right at any time during the period from thirty days after the issuance date to thirty days before the maturity date, by converting the bonds into a certificate for conversion of convertible bonds, and then converting the certificates into common stock or GDRs.

- Conversion price:

  The conversion price was 50 New Taiwan dollars per share when the bonds were issued. On July 1, 2003, the conversion price was adjusted to 29.73 New Taiwan dollars per share based on the prescribed formula.

- Redemption right:

  The bondholders may redeem their bonds within the first thirty to sixty days of the first, second, third and the fourth year after the issuance date, at a redemption price equal to the par value of the bonds at such dates. If more than 90% of the bonds have been converted to common stock or redeemed by bondholders, the Company has the right to redeem all the outstanding bonds at a redemption price equal to their par value.

  For conservative consideration, the Company recorded the above-mentioned convertible bonds as current liabilities, which does not necessarily mean that the Company should fully paid them off in the following year.

(Continued)

(c) The first issuance of domestic guaranteed straight bonds

- Par value: $600 million.
- Issue date: December 24, 2001.
- Issue price: at par value.
- Duration: three years, maturing on December 24, 2004.
- Coupon rate: 2.65%, interest paid annually on December 24.
- Issue terms: The principal of the bonds will be fully paid at one time upon the maturity of the bonds.

(d) The components of bonds payable as of December 31, 2002 and 2003, are summarized below:

	2002	2003
Bonds payable	$ 2,221,322	1,763,867
Provision for early redemption	179,842	236,127
Less: current portion of bonds payable	-	(1,999,994)
	$ 2,401,164	-

Interest expense on bonds payable in 2002 and 2003 amounted to $76,899 and $75,496, respectively.

In 2002 and 2003, convertible bonds amounting to $575,684 and $412,378, respectively, were converted. The excess of the conversion price over the par value of the certificates for conversion of the convertible bonds issued amounted to $452,768 and $270,719 in 2002 and 2003, respectively, and was included in capital surplus in the accompanying non-consolidated balance sheets.

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Notes to non-consolidated Financial Statements

12. Long-term Debts

Bank	Credit Line and Purpose	Period and Redemption	December 31, 2002	December 31, 2003	Pledged Assets
Chiao Tung Bank	$600,000 for the redemption of convertible bonds	Due by March 26, 2005; the principal will be paid in 3 half-yearly installments starting from March 26, 2004	$ 600,000	600,000	Plant (refer to note 19)
Less: current portion of long-term debts			-	400,000	
			$ 600,000	**200,000**	
Rate			**4.95%**	**5.20%**	

As of December 31, 2003, according to the agreement on long-term debt, repayments for future years were as follows:

Period	Amount
Jan. 1 ~ Dec. 31, 2004	$ 400,000
Jan. 1 ~ Mar. 26, 2005	200,000
	$ 600,000

13. Retirement Plan

As of December 31, 2002 and 2003, the funded status was as follows:

	2002	2003
Benefit obligation:		
Vested benefit obligation	$ (8,809)	(2,828)
Nonvested benefit obligation	(121,836)	(31,010)
Accumulated benefit obligation	(130,645)	(33,838)
Projected future salary increase	(85,887)	(17,168)
Projected benefit obligation	(216,532)	(51,006)
Plan assets at fair value	141,515	136,798
Projected benefit obligation in excess of plan assets	(75,017)	85,792
Unrecognized net obligation at transition	3,000	414
Unrecognized net gain	(37,955)	14,226
Additional minimum pension liability	-	(414)
Prepaid pension cost (accrued pension cost)	**$ (109,972)**	**100,018**

(Continued)

The net pension cost for 2002 and 2003 consisted of the following components:

	2002	2003
Service cost	$ 30,647	21,282
Interest expenses	9,160	5,685
Actual returns on pension fund	(2,978)	(1,923)
Amortization	(2,328)	(3,700)
	34,501	21,344
Curtailment gain	-	(220,554)
	$ 34,501	**(199,210)**

Actuarial assumptions at December 31, 2002 and 2003, are summarized as follows:

	2002	2003
Discount rate	3.75%	3.50%
Rate of increase in future compensation levels	3.00%	3.00%
Expected long-term rate of return on plan assets	3.75%	3.50%

To cope with the spin-off plan stated in note 1, the Company transferred 1,351 ODM/OEM department employees to Alpha on August 16, 2003 and committed to compensate Alpha relevant pension liability of $226,537 based on the actuarial calculation. In proportion to the number of employees transferred, the Company recognized curtailment gain of $220,554. Net impact to pension obligation amounted to $5,983 which was recorded under other losses.

14. Stockholders' Equity

(a) Common stock

In 1998, the Company issued 5 million Global Depository Receipts ("GDRs"). Each GDR represents 5 common shares and was offered at ten U.S. dollars and thirteen cents per GDR. Net proceeds of approximately NT$1,674,042 were raised in September 1998. The GDRs are publicly listed on the Luxembourg Stock Exchange. The capital increase was registered in October 1998.

Pursuant to a stockholders' resolution on May 31, 2002, the Company increased the authorized capital from $5,800,000 to $6,600,000 and increased its common stock by $563,987 through the transfer of capital surplus and employees' bonuses of $456,987 and $107,000, respectively. The capital increase was registered in July 2002.

Pursuant to a stockholders' resolution on May 8, 2003, the Company increased its common stock by $96,000 through the transfer of employee bonuses. The capital increase was registered in July 2003.

(Continued)

As of December 31, 2003, the authorized capital totaled $6,600,000 (including $1,000,000 authorized for the conversion of convertible bonds and $250,000 authorized for the issuance the employees stock options). As of December 31, 2002, the authorized capital totaled $6,600,000 (including $1,000,000 authorized for the conversion of convertible bonds), and the issued capital amounted to $5,163,307 and $5,137,771, respectively. The par value of the Company's common stock is ten New Taiwan dollars per share.

The Company applied to the Securities and Futures Commission (SFC) to issue 25,000 thousand units of employee stock options on May 27, 2003. Each unit of employee stock options can purchase one common share, and the total amount of common shares for employee stock options is 25,000 thousand shares. The Company will issue new common shares to redeem the stock options. The application had been approved by SFC on June 6, 2003, but the employee stock options had not been issued as of December 31, 2003.

(b) Capital surplus

Pursuant to the ROC Company Law, with the exception of capital surplus originating from long-term equity investments accounted for by the equity method, capital surplus can only be used to offset a deficit and cannot be used to declare cash dividends. However, capital surplus derived from additional paid-in capital and earnings from gifts received can be used to increase share capital if there is no accumulated deficit. According to current SFC regulations, capitalization of capital surplus cannot exceed a rate of ten percent and can be done only in years after the year in which such capital increase is registered with the authorities.

Pursuant to a stockholders' resolution on May 31, 2002, the Company resolved to transfer the capital surplus that was derived from gain on disposal of property, plant and equipment amounting to $2,184 to unappropriated earnings.

(c) Distribution of earnings and dividends policy

After establishing the legal and special reserve, earnings may be distributed in the following order in accordance with the Company's articles of incorporation: 2% as remuneration to directors and supervisors and 12.5% as employee bonuses. An additional reserve on certain earnings may also be retained. The remaining earnings may be distributed as stockholders' dividends.

According to ROC Company Law, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of authorized common stock. The retention is accounted for by transfers to a legal reserve upon approval at a stockholders' meeting. The legal reserve can only be used to offset an accumulated deficit, and when it reaches an amount equal to one-half of the paid-in share capital, one-half of legal reserve may be transferred to common stock.

(Continued)

According to ROC SFC regulations, a ROC publicly listed company should retain a special reserve equal to any deductions made to stockholders' equity related to items such as foreign currency translation adjustments before distribution of earnings which were generated after 1998. If the aforementioned deduction of stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings.

The Company has adopted the remaining dividend policy based on the industry environment, business growth, and long-term financial planning. The Company considers the capital budget to determine the distribution of stock dividends, accompanied by cash dividends which should be no less than 10% of total dividends.

Information about directors' and supervisors' remuneration and employees' bonuses which were distributed from unappropriated earnings of 2001 and 2002 is as follows:

		2001	**2002**
Dividends per common share:			
Cash	$	1.00	1.50
Stock (per value)		-	-
	$	**1.00**	**1.50**

		2001	**2002**
Employees' bonuses—common stock (par value)	$	107,000	96,000
Employees' bonuses—cash		438	1,634
Directors' and supervisors' remuneration		17,190	15,622
	$	**124,628**	**113,256**

The Company distributed employees' stock bonuses constituting 2.4% and 1.86% of its outstanding shares as of December 31, 2001 and 2002, respectively. Assuming that employees' bonuses and directors' and supervisors' remuneration were recognized as periodic expenses, net income per common share for 2001 and 2002 would be adjusted to $1.66 and $1.44, respectively, in New Taiwan dollars.

The actual distribution of employees' bonuses and directors' and supervisors' remuneration for 2003 is subject to the proposal of the board of directors and a resolution of the stockholders. Relevant information world be available on the Market Observation Post System of the Taiwan Stock Exchange after the above-mentioned meetings.

(Continued)

(d) Treasury stock

The Company had bought back 26,020 thousand common shares at an amount of $755,470 from October 2003 to February 2003, to maintain its credit and stockholders' equity. Based on the resolution of the Company's board of directors, these treasury stocks were cancelled on February 24, 2003, common stock of $260,200 and capital surplus of 139,851 were eliminated, and the insufficiency amounting to $355,419 was deducted from retained earnings.

Pursuant to the board of directors' resolution on October 28, 2003, the Company bought back 12,000 thousand common shares, at an amount of $466,671, to fulfill the purpose of its employees stock purchasing plan.

Pursuant to the ROC Securities and Exchange Law, treasury stock should not exceed 10% of a company's total issued shares, and the total amount of the treasury stock should not exceed the aggregation of retained earnings, capital surplus derived from paid-in capital in excess of par value, plus other realized capital surplus. Based on the financial statements of the Company in 2003, the maximum number of shares and the maximum amount the Company could buy back on December 31, 2003, were 51,378 thousand shares and $5,240,046, respectively.

According to SFC regulations, treasury stock cannot be pledged as collateral. Until the treasury stock is transferred, it does not carry any shareholder rights.

15. Net Income per Common Share

		2002		2003	
		Before taxes	**After taxes**	**Before taxes**	**After taxes**
Basic EPS—retroactive:					
Net income from continuing operations	$	540,835	487,118	1,091,686	985,328
Net income from discontinued operations		423,264	380,981	420,458	388,807
Income applicable to common stockholders		**964,099**	**868,099**	**1,512,144**	**1,374,135**
Weighted-average common shares outstanding (thousand shares)		**523,529**	**523,529**	**499,812**	**499,812**
EPS from continuing operations (New Taiwan dollars)	**$**	**1.03**	**0.93**	**2.19**	**1.97**
EPS from discontinued operations (New Taiwan dollars)	**$**	**0.81**	**0.73**	**0.84**	**0.78**

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Notes to non-consolidated Financial Statements

		2002		2003	
		Before taxes	**After taxes**	**Before taxes**	**After taxes**
Diluted EPS—retroactive:					
Income applicable to common stockholders	$	540,835	487,118	1,091,686	985,328
Dilutive effect of potential common stock from convertible bonds		-	-	59,596	44,697
Net income from continuing operations when calculate dilutive EPS	**$**	**540,835**	**487,118**	**1,151,282**	**1,030,025**
Net income from discontinued operations when calculate dilutive EPS	**$**	**423,264**	**380,981**	**420,458**	**388,807**
Weighted-average common shares outstanding (thousand shares)		523,529	523,529	499,812	499,812
Convertible bonds assumed converted on issue day (thousand shares)		19,440	19,440	48,102	48,102
Diluted weighted-average common shares outstanding (thousand shares)		**542,969**	**542,969**	**547,914**	**547,914**
EPS from continuing operations (New Taiwan dollars)	**$**	**1.00**	**0.90**	**2.10**	**1.88**
EPS from discontinued operations (New Taiwan dollars)	**$**	**0.78**	**0.70**	**0.77**	**0.71**

16. Income Taxes

(a) The Company meets the requirements of a "scientific industry" as prescribed by the Statute for the Establishment and Administration of the Science Park. Therefore, the Company is entitled to an income tax exemption on the profits generated from certain operations over a period of four or five years. Such operations relate to the expanded operations accompanying the following capital increases:

	Duration of tax exemption
2000 capital increase	January 1, 2001 ~ December 31, 2004
2001 capital increase	January 1, 2002 ~ December 31, 2005

In accordance with the “Business Merges and Acquisitions Act”, the Company separated its ODM/OEM operations from its D-Link brand business and transferred related operations’ assets and liabilities to establish Alpha on August 16, 2003. The above-mentioned income tax exemption and other related to ODM/OEM business division tax benefits could be inherited by Alpha from August 16, 2003.

(Continued)

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Notes to non-consolidated Financial Statements

The statutory income tax rate of companies in the ROC is 25%. The components of income tax expense for 2002 and 2003, are summarized as follows:

		2002	2003
Current	$	15,200	94,426
Deferred		25,449	28,846
Additional 10% income surtax on undistributed earnings		55,351	14,737
	$	**96,000**	**138,009**
Income tax expense—continuing operations	$	53,717	106,358
Income tax expense—discontinued operations		42,283	31,651
	$	**96,000**	**138,009**

(b) For 2002 and 2003, the differences between the expected income tax based on the pre-tax income at enacted income tax rates and the actual income tax expense reported in the statements of income are summarized as follows (including continuing operations and discontinued operations):

		2002	2003
Expected income tax expense	$	241,025	378,036
Tax effect of permanent differences		(43,977)	5,476
Tax-exempt income		(61,484)	(87,150)
Investment tax credits		(160,806)	(62,939)
Valuation allowance for deferred tax assets		40,128	(82,360)
Changes in prior year's estimation		25,763	(27,791)
Additional 10% income surtax on the undistributed earnings		55,351	14,737
Income tax expense	**$**	**96,000**	**138,009**

(Continued)

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Notes to non-consolidated Financial Statements

(c) The components of deferred income tax assets (liabilities) as of December 31, 2002 and 2003, are summarized as follows:

	2002 Amount	2002 Tax effect	2003 Amount	2003 Tax effect
Deferred tax assets—current:				
Investment tax credits	$ 49,208	49,208	136,888	136,888
Unrealized inter-company profits	565,423	141,356	469,963	117,491
Allowance for decline in value of inventories	208,780	52,195	343,743	85,936
Provision for doubtful accounts over statutory limitation	177,363	44,341	32,418	8,105
		287,100		348,420
Less: valuation allowance		(170,980)		(211,531)
Net current deferred tax assets		116,120		136,889
Deferred tax liabilities—current:				
Unrealized foreign exchange gain, net	(51,595)	(12,899)	(101,872)	(25,468)
Net current deferred tax assets		**103,221**		**111,421**
Deferred tax assets—noncurrent:				
Investment tax credits	$ 275,464	275,464	57,984	57,984
Investment loss on long-term equity investments in foreign entities	-	-	135,213	33,803
Accrued pension cost	109,972	27,493	-	-
		302,957		91,787
Less: valuation allowance		(214,698)		(91,787)
		88,259		-
Deferred tax liabilities—noncurrent:				
Prepaid pension cost	-	-	(100,018)	(25,005)
Allowance for loss on foreign investment	(63,588)	(15,897)	(165,217)	(41,304)
Investment income on long-term equity investments in foreign entities	(138,850)	(34,713)	-	-
Foreign currency translation adjustment	(157,296)	(39,324)	(263,626)	(65,906)
		(89,934)		(132,215)
Net noncurrent deferred tax liabilities		**$ (1,675)**		**(132,215)**
Total deferred tax assets		**$ 590,057**		**440,207**
Total deferred tax liabilities		**$ 102,833**		**157,683**
Valuation allowance for deferred tax assets		**$ 385,678**		**303,318**

(Continued)

Certain deferred income tax assets may not be realized in future years because the Company is entitled to certain tax holidays as mentioned in point (a) of this note. Therefore, a valuation allowance has been provided if it is considered more likely than not that such assets will not be realized.

(d) According to the ROC Statute for Upgrading Industries, the total amount of investment tax credits that can be utilized per year is limited to 50 percent of the year's current income tax expense. However, the foregoing limit does not apply to the last year of the investment tax credit's expiration period. As of December 31, 2003, the estimated unused investment tax credits and related expiration dates were as follows:

Unused investment tax credit	Expiration Year
$ 136,888	2004
47,995	2006
9,989	2007
$ 194,872	

Alpha is allowed to use investment tax credits related to ODM/OEM operations spun off from the Company amounting to $66,912.

(e) As of December 31, 2003, the ROC income tax authorities had examined and assessed the income tax returns of the Company for all fiscal years through December 31, 1998.

(f) In 1998, an integrated income tax system was implemented in the ROC. Under the new tax system, the income tax paid at the corporate level can be used to offset the ROC resident stockholders' individual income tax. The Company is required to establish an imputation credit account ("ICA") to maintain a record of the corporate income taxes paid and imputation credit that can be allocated to each stockholder. The credit available to the ROC resident stockholders is calculated by multiplying the dividend by the creditable ratio. The creditable ratio is calculated as the balance of the ICA divided by earnings retained since January 1, 1998.

Information relating to the ICA as of December 31, 2002 and 2003, is summarized as follows:

	2002	2003
Unappropriated retained earnings:		
Earned prior to January 1, 1998	$ 8,145	8,145
Earned after December 31, 1997	1,371,680	1,715,921
Total	**$ 1,379,825**	**1,724,066**
ICA balance	**$ 68,346**	**102,172**
Expected creditable ratio for earnings distribution to resident stockholders	**10.73% (actual)**	**13.95% (estimated)**

(Continued)

17. Financial Instruments

(a) Derivative financial instruments

The Company used foreign currency option contracts and forward foreign currency exchange contracts to hedge existing assets and liabilities denominated in foreign currencies. The counter-parties of the derivative contracts are reputable financial institutions. Therefore, management believes that the risk of default by the counter-parties is remote.

(1) Non-trading-purposes derivative financial instruments

(i) Foreign currency option contracts

As of December 31, 2002 and 2003, the Company had the following foreign currency option contracts outstanding:

	2002	
Contract	**Contract Amount (in thousands)**	**Maturity**
Call option (sell)	USD103,330	Jan. ~ Nov. 2003
Put option (sell)	USD36,137	Jan. ~ Oct. 2003
Call option (buy)	USD19,000	Jan. ~ Mar. 2003
Put option (buy)	USD11,010	Jan. ~ Mar. 2003

	2003	
Contract	**Contract Amount (in thousands)**	**Maturity**
Call option (sell)	USD34,000	Jan. ~ Mar. 2004
Put option (sell)	USD18,250	Jan. ~ Sept. 2004
Put option (buy)	USD22,000	Jan. 2004
Call option (sell)	EUR23,250	Jan. ~ Sept. 2004

As of December 31, 2002 and 2003, the aforementioned options' fair value was $(78,577) and $(2,234), respectively.

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(ii) Forward foreign currency exchange contracts

As of December 31, 2002 and 2003, the notional principal of outstanding forward foreign currency exchange contracts the Company entered into was USD10,000 and 43,000 thousand, respectively. The details of the above forward foreign currency exchange contracts' balance as of December 31, 2002 and 2003, are as follows:

		2002	2003
Forward contracts payable	$	345,941	1,461,421
Forward contracts receivable		347,300	1,458,990
	$	**(1,359)**	**2,431**
Fair value	**$**	**(1,521)**	**(125)**

(2) Trading-purposes derivative financial instruments

(i) Credit-linked deposits

Currency	Contract Amount (in thousands)	Contract Period	Interest Rate	Reference Entities	Issuer
USD	2,000	February 2002~ March 2003	USD LIBOR + 1.50%	D-Link (ECB)	Citibank

The carrying amount of the credit-linked deposits abovementioned as of December 31, 2002, was $69,460. In addition, the credit-linked deposits was released in February 2003.

(3) Fair value and risk

(i) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed to perform as contracted. Credit risk will increase as the derivative instruments become more profitable. The Company entered into the above derivative contracts with reputable financial institutions. The likelihood of default on the part of the counter-parties is remote.

Credit risk of credit-linked deposits depends upon the occurrence of the constraint events. The constraint events that apply to each reference entity include bankruptcy, restructuring, repudiation or moratorium, and failure to pay. The contracts will be settled and the banks will deliver all or part of the portfolio to the Company if any constraint events occur. The Company carefully chose the invested target according to the reference company's creditworthiness. As a result, the Company believes that there is no concentration of credit risk in such investments.

(ii) Market price risk

Market price risk represents the accounting loss that would be recognized at the reporting date for the derivative financial instruments due to the changes in market interest rates or foreign exchange rates. As the Company's derivative financial instruments are for hedging purposes, the gains or losses due to changes in the interest rates or foreign exchange rates will be naturally offset by the hedged items. As a result, market price risk is considered low.

(iii) Liquidity risk

Liquidity risk is the risk of being unable to settle derivative contracts on schedule. The purpose of these instruments held by the Company was to manage and hedge the floating interest rates and foreign currency exchange rates. There is no significant liquidity risk for the related cash flows.

The notional principals of the above derivative contracts were only reflected in the unsettled contracts. The fair value of the financial instrument disclosed herein is not necessarily representative of the potential gain or loss that could be realized under current credit and market price risks. The Company does not believe a significant loss on the above financial derivative contracts will occur.

(b) Non-derivative financial instruments

The Company's non-derivative financial assets include cash and cash equivalents, short-term investment, accounts receivable, receivables from related parties, restricted assets, other financial assets and long-term investments. The Company's non-derivative financial liabilities consist of short-term borrowings, notes and accounts payable, payables to related parties, bonds payable, and long-term debts.

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Notes to non-consolidated Financial Statements

The following methods and assumptions were used to estimate the fair value of each class of non-derivative financial instruments:

(1) The carrying amounts of cash and cash equivalents, accounts receivable, restricted assets, other financial assets, accounts payable, and short-term borrowings approximate their fair value due to the short-term nature of these items.

(2) The fair value of short-term investments is based on publicly quoted market prices. Refer to note 4 for the fair value of short-term investments as of December 31, 2002 and 2003.

(3) It is not practicable to determine the fair value of long-term investments when these investments are not publicly traded. As of December 31, 2002 and 2003, the accumulated investment costs for long-term investments amounted to $2,789,151 and $6,224,215, respectively.

(4) Except for the first issuance of domestic guaranteed straight bonds, the fair values of bonds payable are based on quoted market prices.

(5) The fair values of long-term receivables—related parties and long-term debts are based on the discounted value of expected cash flows.

Except for those disclosed in relevant footnotes, the fair values of non-derivative financial instruments as of December 31, 2002 and 2003, are shown below:

		2002		2003	
		Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets:					
Long-term investments:					
Fair value (available)	$	205,862	373,491	219,794	434,867
Fair value (not available)		3,919,641	-	7,096,039	-
Long-term receivables—related parties		229,840	223,136	-	-
Financial liabilities:					
Bonds payable		2,401,164	2,503,102	1,999,994	2,004,915
Long-term borrowings		600,000	620,941	600,000	615,156

(Continued)

18. Related-party Transactions

(a) The name and relationship of the related parties with which the Company had significant transactions are shown below:

Related party	Relationship with the Company
D-Link Holding Company Ltd. (“DHCL”)	Subsidiary
D-Link Europe Ltd. (“DEL”)	A subsidiary of DHCL
D-Link Canada Inc. (“DCI”)	Subsidiary
D-Link Australia Pty. Ltd. (“DAPL”)	Subsidiary
D-Link Systems, Inc. (“DSI”)	Subsidiary
D-Link Asia Investment Pte Ltd. (“DAIPL”)	A subsidiary of Alpha Holdings
D-Link International Pte. Ltd. (“DLI”)	Subsidiary
D-Link India Ltd. (“DIL”)	Minority-held investee
D-Link Deutschland GmbH (“DDG”)	A Subsidiary of DEL
D-Link Taiwan Inc. (“DTI”)	Subsidiary
D-Link Middle East (DME)	A subsidiary of DLI and DHCL
D-link Sudamerica S.A. (DSA)	A subsidiary of DLI and DHCL
Yeo-Chia Investment Ltd. (“YCI”)	Subsidiary
Yeo-Mao Investment, Inc. (“YMI”)	Subsidiary
Dray Tek Corp. (DTC)	Investee accounted for under lower-of-cost-or-market method by YCI and YMI (the disclosure in 2003 is for comparing with 2002 only)
D-Link Latin America (“DLA”)	A subsidiary of DHCL
Alpha Networks Incorporation (“ANI”)	Subsidiary
Alpha Solutions Co., Ltd. (ASCL)	A subsidiary of ANI (former name D-Link Japan K.K.)
D-Link Electronics Equipment (Shanghai) Co., Ltd. (“DEECL”)	A subsidiary of DHCL
PowerCom Technology Co., Ltd. (“PCT”)	YCI is a director of PCT, PCT is in liquidating procedure at the end of year 2003
Abocom Systems, Inc. (“ACS”)	Investee accounted for under lower-of-cost-or-market method by YCI and YMI (the disclosure in 2003 is for comparing with 2002 only)
Cameo Communications, Inc. (“CCI”)	Minority-held investee
D-Link Dongguan Ltd. (“DDL”)	A subsidiary of DAIPL

(Continued)

D-LINK CORPORATION

Notes to non-consolidated Financial Statements

Related party	Relationship with the Company
Cellvision System Inc.("CSI")	Minority-held investee of DTVCI, YCI and YMI
W-Link System Inc. ("WSI")	Subsidiary
QuieTek Corp. ("QTC")	Investee accounted for under lower-of-cost-or-market method by YCI and DTVCI (the disclosure in 2003 is for comparing with 2002 only)
D-Link Electronics (Wujiang) Co., Ltd. ("DECL")	A subsidiary of DHCL

(b) Significant transactions with related parties, and related receivables and payables are summarized below:

(1) Sales

	2002		2003	
	Amount	Percentage of net sales	Amount	Percentage of net sales
DSI	$ 3,793,144	24	5,194,929	26
DEL	2,081,775	13	2,839,910	14
DDG	1,060,877	7	1,016,910	5
DCI	1,109,459	7	1,138,335	6
DLI	577,661	4	954,434	5
DAPL	509,262	3	612,842	3
DIL	187,624	1	228,286	1
DME	194,297	1	230,836	2
DSA	135,236	1	-	-
DLA	-	-	380,873	2
DEECL	-	-	1,516,994	8
DTI	247,727	2	447,400	2
CCI	57,693	-	9,480	-
DECL	497,542	3	219,645	1
WSI	233,274	1	19	-
Others	300,259	1	55,467	-
	$ 10,985,830	68	14,846,360	75

The average credit terms extended to related parties and third-party customers were approximately 30-90 days. However, credit term to related parties might be further extended when necessary.

The aforementioned percentage is calculated based on the original sales amount without separate the discontinued operations.

(Continued)

(2) Service revenue

The revenue from related parties for technical service or royalties are summarized below:

	2002		2003	
	Amount	**Percentage of net sales**	**Amount**	**Percentage of net sales**
DTI	$ 108,000	1	108,000	1
CCI	14,733	-	2,390	-
	$ 122,733	**1**	**110,390**	**1**

(3) Purchases

	2002		2003	
	Amount	**Percentage of net purchases**	**Amount**	**Percentage of net purchases**
CCI	$ 1,436,132	11	1,676,913	10
ACS	225,487	2	-	-
DSI	47,523	-	195,952	1
DEECL	-	-	119,949	1
CSI	286,505	2	401,989	3
PCT	180,331	1	-	-
WSI	411,479	3	9,085	-
DTC	123,465	1	-	-
Others	373,700	3	157,001	1
	$ 3,084,622	**23**	**2,560,889**	**16**

There were no significant differences in purchasing terms between related parties and third-party suppliers.

The Company’s purchases from ACS and DTC for the year ended December 31, 2003, totaled $119,781 and $78,970, respectively. As of December 31, 2003, payables resulting from the purchases were $20,089 and $15,472, respectively, recorded under accounts payable.

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Notes to non-consolidated Financial Statements

(4) Accounts receivable/payable

	2002		2003	
	Amount	**Percentage**	**Amount**	**Percentage**
Accounts receivable:				
DSI	$ 995,784	23	1,658,268	29
DDG	340,938	8	-	-
DEL	520,367	12	1,019,883	18
DLI	155,844	3	294,223	5
DCI	207,172	5	151,084	3
DAPL	123,667	3	107,994	2
DSA	108,068	2	-	-
DME	56,739	1	93,065	2
DIL	22,695	1	26,270	-
DLA	-	-	309,509	5
DEECL	-	-	902,301	16
DTI	107,183	2	81,275	1
DECL	197,184	4	54,042	1
WSI	140,637	3	-	-
Others	93,873	2	27,938	1
	3,070,151	69	4,725,852	83
Less: allowance for doubtful accounts	(120,000)	(3)	-	-
	$ 2,950,151	66	**4,725,852**	**83**

	2002		2003	
	Amount	**Percentage**	**Amount**	**Percentage**
Accounts payable:				
CCI	$ 348,337	14	481,388	10
ACS	40,850	2	-	-
CSI	-	-	129,291	2
Others	120,577	5	102,101	3
	$ 509,764	**21**	**712,780**	**15**

(5) Shareholding transfer

In December 1997, the Company’s holding in D-Link Deutschland GmbH was transferred to D-Link Europe Ltd. at a price of $17,637. An adjustment to the transfer price amounting to $1,050 was made in 1998.

In June 1998, the Company’s holding in D-Link Scandinavia AB was transferred to D-Link Europe Ltd. at a price of $5,574.

(Continued)

In October 2002, the Company's holding in D-Link Europe Ltd. was transferred to D-Link Holding Company Ltd. at a price of New Taiwan dollars 1.

As of December 31, 2003, the proceeds of the above-mentioned shareholding transfers had not yet been collected. No gain or loss was recorded by the Company from the above-mentioned transactions.

In October 2000, the Company's holding in D-Link India was transferred to D-Link Holding Company Ltd. at a price of $61,349. The proceeds were collected in 2002.

(6) Commission expense

The Company paid commissions to related parties for performing certain purchasing functions on behalf of the Company. The total commission expense for the years ended December 31, 2002 and 2003, are summarized below:

		2002		2003	
		Commission expense	**Accrued commission**	**Commission expense**	**Accrued commission**
ASCL	$	13,271	-	23,532	-

(7) Service

The company paid service fees to related parties for warranty services, advertisements, and exhibitions. The total service fees for the years ended December 31, 2002 and 2003, and the related unpaid balance as of December 31, 2002 and 2003, are summarized below:

		2002		2003	
		Current expense	**Accrued expense**	**Current expense**	**Accrued expense**
DSI	$	113,785	57,256	184,123	85,649
DTI		-	-	9,331	-
	$	113,785	57,256	193,454	85,649

The Company also subcontracted certain services related to export sales to DDL in 2002 and 2003. The subcontract service fees amounted to $62,330 and $163,178 in 2002 and 2003, respectively. As of December 31, 2002 and 2003, the prepaid service fee amounted to $14,119 and $2,741, respectively.

(Continued)

D-LINK CORPORATION

Notes to non-consolidated Financial Statements

The Company subcontracted OEM service to Alpha for business consideration from August 16, to December 31, 2003 resulted service fee amounted to $937,766. Receivables due from Alpha resulting from certain operation expenses paid by the Company on behalf of Alpha in the early stage of the spin-off amounted to $721,183.

As of December 31, 2003, net payables due to Alpha amounted to $216,583.

(8) Other transactions

As of December 31, 2002 and 2003, receivables (payables) with related parties resulting from certain payments paid by the Company on behalf of related parties or paid by related parties on behalf of the Company were as follows:

	2002	2003
DAIPL	$ (16,956)	-
DTI	-	(2,840)
YCI	-	63,055
YMI	-	22,000
ACS	(272)	-
DSI	(27,442)	-
DEL	17,242	(1,809)
DHCL	(47,726)	(72,027)
DIL	36,415	-
DDG	(4,515)	-
DECL	10,839	(32,035)
QTC	(1,146)	(1,845)
Others	(21,001)	(27,869)
	$ (54,562)	**(53,370)**

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Notes to non-consolidated Financial Statements

(9) Guarantees

As of December 31, 2003, the Company had provided guarantees to financial institutions for related parties' bank loans and lines of credit, as summarized below:

Borrower	Credit line (thousands)	
DEL	USD	4,000
	GBP	1,500
	EUR	14,000
DSI	USD	35,000
DCI	USD	9,000
DAIPL	USD	20,000
DHCL	USD	13,000
DDG	EUR	8,000
	USD	3,000
YCI	NTD	150,000
DTI	NTD	50,000
YMI	NTD	150,000
DDL	USD	4,000
DECL	USD	11,500
DEECL	USD	3,000

The total amount of the above guarantees was approximately $4,345,015 as of December 31, 2003.

In addition to the above guarantees to financial institutions, the Company also pledged time deposits as collateral for related parties at the end of year 2003, summarized as follows:

Related party	AMT
DSI	$ 564,756

(Continued)

(10) Financing

The Company had lent related parties working capital with no interest as of December 31, 2002 and 2003, summarized as follows:

	2002		2003	
	Maximum amount	**Ending amount**	**Maximum amount**	**Ending amount**
DEL	$ 343,000	343,000	343,000	-
WSI	30,000	30,000	30,000	-
DDG	229,840	229,840	239,120	-
DAIPL	241,115	-	-	-
	$ 843,955	**602,840**	**612,120**	**-**

Except for the term of the loan to DDG is ten years, which was recorded in long-term receivables—related parties, the term for others was one year. As of December 31, 2003, all of the aforementioned loans had been fully repaid.

(11) Others

As of December 31, 2002 and 2003, the Company had purchased computer software from DIL for $36,415 and $25,272, respectively, which was recorded in other current assets.

19. Pledged Assets

Assets pledged as collateral as of December 31, 2002 and 2003, are summarized as follows:

Pledged assets	Pledged to secure	2002	2003
Time deposit	Customs guarantees of the Science Park	$ 7,300	7,300
Time deposit	Guarantees of credit lines for DSI	-	564,756
Time deposit	The first issuance of domestic guaranteed convertible bonds	-	330,000
Plant	Long-term loans	717,103	-
		$ 724,403	**902,056**

(Continued)

20. Commitments and Contingencies

(a) Major operating leases:

According to current leasing contracts, the minimum future leasing expenses for the land and offices leased by the Company and subsidiaries are as below:

Years	Amount
2004	$ 10,005
2005	11,005
2006	11,005
2007	12,005
2008 and after	12,005
	$ 56,225

(b) As of December 31, 2002 and 2003, the Company had outstanding letters of credit amounting to approximately $5,207 and $4,498, respectively.

(c) The Company entered into several royalty agreements with third parties. According to these agreements, the Company is obligated to pay royalties when the Company sells products using the technologies specified in the royalty agreements. Total royalty expenses incurred under these agreements for the years ended December 31, 2002 and 2003, amounted to $6,204 and $13,321, respectively.

(d) As of December 31, 2002 and 2003, the Company provided a guarantee for the payment of Javarock Ltd.'s bank loans amounting to NT$69,660 and $0, respectively. Javarock Ltd., a Hong Kong shipping agent, is responsible for the Company's triangular trading activities with the Company's affiliates located in the People's Republic of China ("PRC").

(e) In 2002, the Company filed a lawsuit alleging that a former employee infringed the Company's copyright. VIA Technologies, Inc. ("VIA") and the relevant person involved in this case were prosecuted by district attorney due to the Company's accusation. The Company also brought a suit against both VIA and the involved person for civil compensation. The above-mentioned cases are still pending, and the outcome is not assessable.

(f) In November 2001, Clarent Corp. failed to comply with the listing requirements of the NASDAQ, and its common stock ceased trading on NASDAQ. Due to this uncertainty over Clarent Corp.'s future, the Company filed two lawsuits against Clarent Corp. in the Superior Court of the State of California and in the County of San Mateo. The Company alleged that Clarent Corp. breached an OEM sales agreement, a purchase agreement, and a loan and guaranty agreement related to the Company's investment in the convertible promissory note of Articula Corp. and requested Clarent Corp. to compensate the Company for its damages.

(Continued)

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Notes to non-consolidated Financial Statements

As of December 31, 2001, receivables due from returns of purchases from Clarent Corp. amounted to USD6,000 thousand, the convertible promissory note guaranteed by Clarent Corp. amounted to USD9,000 thousand, and an advance from Clarent Corp. was USD3,000 thousand. The Company and Clarent Corp. reached an agreement in July 2002, and Clarent Corp. paid cash, inventories, investments, and other assets amounting to USD8,473 thousand. After deducting the allowance for possible business dispute loss amounting to USD4,500 thousand recognized by the Company in 2001, the paid assets were sufficient to cover the claim of the Company.

21. Other information

(a) The information on labor, depreciation, and amortization expenses by function for the years ended December 31, 2002 and 2003, is summarized as follows:

	2002			2003		
Account	**Cost of goods sold**	**Operating expense**	**Total**	**Cost of goods sold**	**Operating expense**	**Total**
Employee expenses						
Salaries	352,748	473,630	826,378	208,564	371,841	580,405
Labor and health insurance	42,625	36,173	78,798	18,607	35,480	54,087
Pension	16,303	18,198	34,501	10,029	11,315	21,344
Others	31,908	20,039	51,947	23,293	31,910	55,203
Depreciation	108,270	169,874	278,144	73,713	118,442	192,155
Amortization	157	75,532	75,689	6,442	62,207	68,649

(b) In accordance with the Statue for Upgrading industries, the Company recorded a provision for loss on foreign investment equal to 20% of the foreign investment made and registered with the authority starting from 2001.

Such provision is not allowed by accounting principles generally accepted in the ROC. However, for local tax purposes, the adjustment is not posted to the Company’s books. As a result, the unappropriated earnings shown in the accompanying 2002 and 2003 non-consolidated financial statements exceed that in the Company’s books by $63,588 and $165,217, respectively.

(c) On August 16, 2003, D-Link spun off its ODM/OEM related operations (includes assets and liabilities) to Alpha, and received Alpha shares in return. As a result, the operating income of ODM/OEM was expressed as “income from discontinued operations” in the accompanying non-consolidated statement of income.

(Continued)

D-LINK CORPORATION

Notes to non-consolidated Financial Statements

The combined income statement information from continuing operations (D-Link brand business) and discontinued operations (ODM/OEM business) could be adjusted as follows:

	2002			
	D-Link	**ODM/ OEM**	**Write-off and adjustment**	**Total**
Operating revenue—third parties	$ 11,969,043	4,242,075	-	16,211,118
Operating revenue—inter-company	-	3,985,393	(3,985,393)	-
	$ 11,969,043	**8,227,468**	**(3,985,393)**	**16,211,118**
Operating income	**$ 515,201**	**479,156**	**-**	**994,357**
Net income	**$ 487,118**	**380,981**	**-**	**868,099**

	2003			
	D-Link	**ODM/ OEM**	**Write-off and adjustment**	**Total**
Operating revenue—third parties	$ 14,110,021	5,608,990	-	19,719,011
Operating revenue—inter-company	-	3,977,665	(3,977,665)	-
	$ 14,110,021	**9,586,655**	**(3,977,665)**	**19,719,011**
Operating income	**$ 1,129,490**	**506,332**	**-**	**1,635,822**
Net income	**$ 985,328**	**388,807**	**-**	**1,374,135**

The net income from discontinued operations of ODM/OEM in 2002 and 2003 was as follows:

	2002	**2003**
Net revenue	$ 8,227,468	9,586,655
Cost of goods sold	(6,540,295)	(7,652,390)
Gross profit	1,687,173	1,934,265
Operating expenses	(1,208,017)	(1,427,933)
Operating income	479,156	506,332
Non-operating income and expense	(55,892)	(85,874)
Income before income tax	423,264	420,458
Income tax expenses	(42,283)	(31,651)
Net income	**$ 380,981**	**388,807**

(Continued)

D-LINK CORPORATION

December 31, 2002 and 2003

(Amounts expressed in thousands of New Taiwan dollars, except for per share information and unless otherwise noted)

(d) Certain amounts in the 2002 non-consolidated financial statements have been reclassified to conform with the 2003 presentation. Other reclassifications do not have a significant impact on the presentation of the non-consolidated financial statements. The accompanying non-consolidated statement of income has been recompiled to conform to the expression of income from discontinued operation.

22. Segment Information

(a) Industry segment

The Company principally operates in one industry segment, network communication products.

(b) Export sales

The export sales of the Company as of December 31, 2002 and 2003, are summarized below:

	2002	2003
Asia	$ 5,132,973	5,428,905
Americas	5,531,446	7,699,983
Europe	3,253,898	4,304,964
Others	703,542	878,110
	$ 14,621,859	18,311,962

(c) Major customers

Sales to individual customers constituting over 10% of the Company's revenues are summarized below:

	2002		2003	
	Amount	Percentage	Amount	Percentage
DSI	$ 3,793,144	24	5,194,929	26
DEL	2,081,775	13	2,839,910	14
	$ 5,874,919	37	8,034,839	40

The percentage aforementioned is calculated using the original sales amount without separate the discontinued operations.