

Handbook for the 2023 Annual Meeting of Shareholders of Solid State System Co., Ltd. (“3S”; the “Company”)

(Translation)

MEETING TIME : May 16, 2023

PLACE : 2F, No. 26, Taiyuen Street, Zhubei City , Hsinchu County.

(Conference hall on the second floor of the park hall)

The Meeting will be held by means of physical shareholders
meeting

(This document is prepared in accordance with the Chinese version and is for
reference only. In the event of any inconsistency between the English version and
the Chinese version, the Chinese version shall prevail.)

Table of contents

I .Meeting Procedure	1
II. Meeting Agenda	2
1. Management Presentation.....	3
(1).The 2022 business report	3
(2). The review report of the Audit Committee	3
(3). The report on the revisions to the fundraising plan through the private placement of 3S common shares.....	3
(4). The status report on the execution of the sound operation plan for the 2021 cash capital raising plan.....	4
(5).Report on 2022 Employees' Profit Sharing and Directors' Compensation.	5
2. Proposals matters	7
(1).To accept the 2022 Business Report and Financial Statements	7
(2).To accept the 2022 Deficit Compensation Statement	7
3.Discussion matters.....	8
(1). To approve the capital reduction plan to offset the deficit.....	8
(2). To approve the capital increase through the private placement of 3S common shares	9
4. Questions and Motions.....	13
5.Adjournment.....	13
Attachment	14
1.2022 Business Report	14
2.The Audit Committee's Review Report	16
3.2022 CPA's Audit Report and Consolidated Financial Statements	17
4.2022 CPA's Audit Report and Parent-Company-Only Financial Statements ..	26
Appendix: Shareholding Status of Directors :	34

I.Meeting Procedure

- 1.Call the Meeting to order
- 2.Chairperson Remarks
- 3.Management Presentation
- 4.Proposals matters
- 5.Discussion matters
- 6.Questions and Motions
- 7.Adjournment

II. Meeting Agenda

Time : 10:00 a.m. on Tuesday, May 16, 2023

Place : 2F, No. 26, Taiyuen Street, Zhubei City, Hsinchu County
(Conference hall on the second floor of the park hall)

Held : The Meeting will be held by means of physical shareholders meeting

Chairperson : Jeffrey Lin

1.Call the Meeting to Order

2. Chairperson Remarks

3.Management Presentation

(1).The 2022 business report

(2).The review report of the Audit Committee

(3).The report on the revisions to the fundraising plan through the private placement of 3S common shares

(4). The status report on the execution of the sound operation plan for the 2021 cash capital raising plan

(5). Report on 2022 employees' compensation and remuneration to Directors

4. Proposals matters

(1).To accept the 2022 Business Report and Financial Statements

(2).To accept the 2022 Deficit Compensation Statement

5.Discussion matters

(1). To approve the capital reduction plan to offset the deficit

(2). To approve the capital increase through the private placement of 3S common shares

6. Questions and Motions

7.Adjournment

Management Presentation

Report No. 1

The Company's 2022 business report.

Explanation:

The 2022 Business Report is attached as Attachment1 (page14~15).

Report No. 2

The review report of the Audit Committee.

Explanation:

The 2022 Audit Committee's Review Report is attached as Attachment2(page16).

Report No. 3

The report on the revisions to the fundraising plan through the private placement of 3S common shares.

Explanation:

- (1) By the resolution adopted at the regular shareholders' meeting dated June 21, 2022, the Board of Directors of 3S was authorized to conduct such private placement of common shares in the total amount of no more than 20,000,000 common shares in one or two rounds at the appropriate time.
- (2) According to the paragraph 7 of Article 43-6 of the Securities and Exchange Act, the private placement of securities may be carried out in one or several rounds within one year after the date of the resolution of the shareholders' meeting.
- (3) Such private placement of securities was not carried out until now. Since the issuance period will end on June 21, 2023, it is hereby proposed not to conduct such private placement of securities during the remaining issuance period.

Report No. 4

The status report on the execution of the sound operation plan for the 2021 cash capital raising plan

Explanation:

In accordance with the letter of Financial Supervisory Commission No. 1100358456, the implementation of the sound operation plan will be reported to the shareholders' meeting.

(1). Summary of the sound operation plan:

A. Business and Operation plans

- (a) Continue optimizing customer and product portfolios in order to provide higher value added and profitable services.
- (b) Continue to enhance operation efficiency through improving material cost management and production efficiency to maximize profits.

B. Financial structure improvement plans

- (a) Enhance inventory management, observe the sales status and adjust inventory levels when necessary and sell the slow-moving inventory in order to reduce the stock risk and capital lying idle.
- (b) Propose to dispose the assets in order to enrich working capital.
- (c) Plan to issue of new common shares for cash in private placement or public offering, in order to have sound financial structure and enrich working capital.
- (d) Control the labor expenditure, and review and improve the daily expenses in order to avoid unnecessary expenses at all costs.

(2). Implementation from January 2022 to December 2022 :

Unit: NT\$ thousand

Item	Estimate	Actual	Difference	Variety %
Operating revenues	896,847	402,605	(494,242)	-55%
Operating costs	624,014	286,176	(337,838)	-54%
Gross Profit	272,833	116,429	(156,404)	-57%

Operating expenses	263,123	237,565	(25,558)	-10%
Net operating gain (loss)	9,710	(121,136)	(130,846)	-1348%
Non-operating income and expenses	229	(5,558)	(5,787)	-2527%
Profit (loss) before income tax	9,939	(126,694)	(136,633)	-1375%

Description of major differences:

The large difference in revenue was mainly that the overall market demand for MEMS microphone ICs and Audio controller ICs is still sluggish and the inventory level of agents is relatively high, which affects the sales volume of the company, and results in a decrease in revenue of MEMS microphone ICs and Audio controller ICs by 320 million and 200 million respectively. The operating gross profit mainly decreased due to the changes in operating income, and non-operating expenses increased due to asset impairment.

For the above reasons, the actual number of revenue is lower than the estimated number, and the achievement rate is less than 50%, which makes the operating result a loss.

Report No. 5

Report on 2022 employees' compensation and remuneration to Directors

Explanation:

- (1) According to Article 21 of the Company's Articles of Incorporation, in case of the accumulated losses, certain profits shall first be reserved to cover the accumulated losses, and then the Company shall allocate no less than 10% of the profit as employees' compensation and at a maximum of 2% of the profit as remuneration to Directors.
- (2) The Company will not distribute such employees' compensation and remuneration to Directors due to the net loss in 2022.
- (3) Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to

responsibilities, risks and time spent: The remuneration paid to Independent Director is paid at the fixed amount and excluded from the Company's allocation of the remuneration to Directors in accordance of the Company's Articles of Incorporation. The proposal for Independent Director's remuneration, taking into account the standards of the industry, will be prepared and submitted by the Compensation Committee to the Board of Directors for review and approval.

(4) Report on 2022 remuneration to Directors is as follows:

Title	Name	Remuneration Paid to Directors								Sum of A+B+C+D and Ratio to Net Income		Relevant Remuneration Received by Directors who Are Also Employees								Sum of A+B+C+D+E+F+G and Ratio to Net Income		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company	
		Base Compensation(A)		Retirement Allowance (B) (Note 1)		Director Remuneration(C) (Note 2)		Allowances(D)		Salary, Bonus, and Allowance (E)	Retirement Allowance(F) (Note 1)	Employee Compensation (Note 2)				The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements				
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements			The Company	All Companies in Consolidated Financial Statements	Cash	Stock					Cash	Stock		
Chairman	Jeffrey Lin	0	0	0	0	0	0	18	18	0	0	2,579	2,579	0	0	0	0	0	0	0	0	0	0
Director	Tim Hu	0	0	0	0	0	0	18	18	0	0	2,258	2,258	108	108	0	0	0	0	0	0	0	0
Director	KIOXIA Corporation Representative: Hatanaka Kojiro	0	0	0	0	0	0	15	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	Kingston Technology Corporation Representative: Albert Yang	0	0	0	0	0	0	18	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Ken Lin	360	360	0	0	0	0	21	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Cheermore Huang	360	360	0	0	0	0	21	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	James Hou	360	360	0	0	0	0	21	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Proposals matters

Proposal 1: To accept the 2022 Business Report and Financial Statements.

(Proposed by the board of directors)

Explanation:

1. The 2022 Financial Statements of the Company, including the Consolidated Financial Statements, were audited by independent auditors, Ms. Lu Qian-Hui and Mr. Yu Wan-Yuan of KPMG. Also the Business Report and Financial Statements have been approved by the Board and examined by the Audit Committee of the Company. Financial Statements are attached as Attachments 3 and 4 (page 17-33).
2. 2022 Business Report is attached as Attachments 1 (page 14-15).

Proposal 2:

To accept the 2022 Deficit Compensation Statement

(Proposed by the board of directors)

Explanation:

- (1). The net loss of the Company for year 2022 is in the amount of NT\$156,558,681, and the accumulated deficit is in the amount of NT\$249,217,085.
- (2). The following deficit compensation statement for year 2022 is prepared in accordance with Company Law and the Articles of Incorporation of the Company.

Solid State System Co., Ltd.

Deficit Compensation Statement 2022

(Unit: NTD\$)

Items	Total
Accumulated deficit at the beginning of year 2022	(96,070,782)
Plus: Current effects from the remeasurements of defined benefit plans	3,412,378
Plus: Loss after tax for year 2022	(156,558,681)
Accumulated deficit to be made up at the end year 2022	(249,217,085)

Discussion matters:

Proposal 1. :

To approve the capital reduction plan to offset the deficit

(Proposed by the board of directors)

Explanation:

- (1) Until December 31, 2022, the accumulated deficit of the Company is NT\$ 249,217,085. To improve the financial structure, it is hereby proposed to carry out the capital reduction of NT\$ 249,217,080 to offset the accumulated deficit until December 31, 2022 and cancel the issued 24,921,708 shares in accordance with Article 168 of the Company Law. Since the paid-in capital before the capital reduction is NT\$746,876,420, the cancellation ratio will be 33.367913798%, and the paid-in capital after the capital reduction will be NT\$ 497,659,340. The number of the outstanding shares of the Company may vary due to other factors, and the cancellation ratio will be adjusted accordingly. Such adjusted cancellation ratio should be actual cancellation ratio.
- (2) The cancelled shares are determined by the shareholding ratio of shareholders in the register of shareholders on the record date of the reduction and conversion. For every 1,000 shares, 333.67913798 shares will be cancelled, and 666.32086202 shares will be converted. The shareholder(s) may ask the shareholder services agent of the Company for the combination of the fractional shares before the record date of the reduction and conversion. If the fractional shares are not registered for the combination or still less than one share after the combination, the shareholder(s) shall be paid in cash according to the denomination of the share (round down to NTD). Any uncombined fractional shares shall be purchased at par value by the specified persons arranged by the Chairman.
- (3) This exchange of new shares as a result of a capital reduction adopts a non-physical issuance, and the rights and obligations of such new shares are the same as the original issued common shares. After this proposal is approved by the regular shareholders' meeting and upon the registration with the competent authority for the capital reduction, it is hereby proposed to authorize the Chairman to set the record dates for the capital reduction and the exchange of new shares, and handle

all matters related to the capital reduction.

- (4) If this proposal has to be amended due to the changes in applicable laws and regulations, the instruction of the competent authority or the changes in the objective circumstances, it is hereby proposed to authorize the Chairman by the resolution adopted at the regular shareholders' meeting to handle all matters.

Proposal 2 :

To approve the capital increase through the private placement of 3S common shares

(Proposed by the board of directors)

Explanation:

1. For the purpose of supplementing the working capital and bringing in the long-term strategic partner, it is hereby proposed to raise the capital of the Company through the private placement of common shares in the total amount of no more than 20,000,000 shares at par value NT\$10 each share, and to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to conduct such private placement of securities in one or two rounds based on the status of the capital market and the practical needs of the Company. The main purpose of such private placement of securities each round is to supplement the working capital.
2. The basis and rationality of the pricing of private placement:
 - (1) The issue price of the privately-placed common shares shall not be lower than 80% of the higher price calculated on the following two bases before the price determination date:
 - ① The simple average closing price of the common shares of the Company for either the one, three, or five business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
 - ② The simple average closing price of the common shares of the Company for the thirty business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
 - ③ The actual issue price shall be determined under the

above-mentioned rule. It is hereby proposed to authorize the Board of Directors to determine the issue price based on the situation of specific persons and the market conditions.

(2) The rationality of the pricing of the private placement:

① The rationality of the method for the determination of the pricing of the private placement: Since such method refers to the market price of the common shares of the Company and is in line with the practices of the issue market, the pricing of the privately-placed common shares shall be reasonable.

② The rationality of the applicable regulation for the pricing of the private placement: Since such method complies with Directions for Public Companies Conducting Private Placements of Securities, the pricing of the privately-placed common shares shall be reasonable.

(3) The impact on the shareholders' equity:

If the actual issue price is lower than the par value of the shares, the accumulated deficit will be increased accordingly. Such deficit will be eliminated depending on the market status and the Company's operating conditions, either by the profits or surplus generated in the future, the capital reduction or the other statutory methods.

3. Method, purpose, necessity and expected benefit of selecting the specific persons:

The Company has yet to select any subscriber, and will select the subscriber(s) in accordance with Article 43-6, Security and Exchange Act. Such subscriber(s) shall be the strategic investors meeting the conditions prescribed by the competent authority. It is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to review the qualification certificates of such strategic investors. In addition, such strategic investors shall meet the following conditions:

(1) Method and purpose of selecting the subscribers:

For the purpose of strengthening the competitiveness of the Company, the selected subscribers shall be able to help the Company expand the market of the new products, train and

educate the sales personnel, and explore the sales channels for the new products.

(2) Necessity and expected benefit:

Due to the changes in the market demand for the new products of the Company in recent years, it is hereby proposed to select the strategic investors, who are beneficial to the future product promotion and the market development of the Company, in order to enhance the competitiveness of the Company. To select such strategic investors will enhance technologies, improve the quality, enhance the efficiency and expand the market of the Company.

4. The reasons necessitating the private placement:

(1) The reasons for not taking a public offering: Considering the lower cost of the capital, the effectiveness of the funding process, the Company desires to raise the capital through the private placement of securities. In addition, if the Board of Directors is authorized to conduct the private placement of securities according to the actual operational needs of the Company, it will be helpful for the Company to increase the mobility and flexibility of the fundraising. In short, it is indeed necessary to raise the capital through the private placement of securities.

(2) The capital usage plan of private placement each round: to supplement the working capital

(3) The projected benefits of private placement each round: The projected benefits of such private placement each round are to meet the needs of the business development in the future, improve the financial structure, strengthen the long-term competitiveness of the Company, and bring in the strategic partners.

5. This privately-placed new shares adopt a non-physical issuance, and the rights and obligations of such new shares are the same as the original issued common shares, provided that the transfer of such new shares should be governed by Article 43-8 of the Securities and Exchange Act.

6. When the period of restriction of transfer of the privately-placed securities of this year has elapsed, the Company may file a listing

application only after first applying to the TPEX for a letter of approval and, on the basis of such letter, completing issuance examination and approval procedures with the competent authority in accordance with Article 15 of Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX.

7. If the main content of the private placement plan, including the number of shares, the issue price, conditions for issuance, fundraising amount, and the other related matters should be changed or amended due to the changes in applicable laws and regulations, the instruction of the competent authority, the business status review, or the changes in the objective circumstances, it is hereby proposed to authorized the Board of Directors by the resolution adopted at the regular shareholders' meeting to adjust them based on the status of the capital market.
8. For the rights and obligations of privately placed common shares, or any matter regarding the private placement but not included above, it is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to handle all matters according to the instructions from the competent authority or the newly-amended laws and regulations.
9. According to Article 43-6, Security and Exchange Act, the main content of this proposal for the private placement of securities of the Company should be accessed at the website of Market Observation Post System (<https://mops.twse.com.tw/mops/web/t116sb01>, please visit: MOPS-Investment section/Private placement section/Data search for private placement) and the official website of the Company (<http://www.3system.com.tw>).

Resolution:

Questions and Motions

Adjournment

Solid State System Co., Ltd.
2022 Business Report

The company's revenue for the year 2022 was NT\$402,605 thousand dollars, with an overall gross margin of approximately 29% and net loss after tax of NT\$156,559 thousand dollars. Looking back on 2022, for the COVID-19, Affected by FAB such as limited wafers, inflation and geopolitics, the demand of the terminal consumer market sharp drop from 2021, The overall revenue has decreased by 42% compared with 2021, and the overall gross profit margin has also decreased by 4% compared with 2021.

In terms of NAND Flash controller IC, the company will continue supporting new generation 3D NAND on the existing USB 3.2 Gen I BCH 及 LDPC controller IC, and launch a new generation cost-competitive USB3.2 Gen I controller IC to support the specification requirements of future advanced generations of 3D NAND. Except Mass Production SATA interface SSD solution, the company develops to support advanced generations of 3D NAND on PCIe interface SSD solution, and plans to expand into a wider SSD application market. In terms of long term product development and planning for the NAND Flash application market, the company will continue to make steady progress in cooperation with the products and marketing strategies of major customers, and develop new customers to search for the opportunity of strategy cooperation.

In terms of Audio IC, After the consumer electronics market crashed in 2022, although the new HiRES-supporting products launched in 2021 have been introduced by some customers, shipments are weak as the demand for the entire consumer product market has not yet improved. Awaiting market recovery.

In terms of MEMS microphones, a new structure with high air pressure resistance and anti-UV has been launched in the past year, and the development of MEMS sensors with higher SNR will continue. In terms of PreAmp ASICs used with MEMS microphones, new analog single-ended interfaces (including anti-radio frequency interference) and analog differential interface ASICs have been newly introduced, moreover both analog and digital MEMS microphones have been confirmed to comply with the automotive specification AEC-Q103. In the future, digital microphones with high AOP, high SNR, and limited speech recognition functionality will also be continuously launched. In terms of market promotion, MEMS microphones have already gained a reputation in the market for TWS earphones, ANC earphones, smart TVs, security monitoring, and automotive applications. In addition to continuously optimizing

the performance of MEMS sensor chips and PreAmp ASIC chips, products with higher cost-effectiveness and various application-oriented functions will be launched according to market demand. In addition to deepening customer relationships in existing application areas, sampling or small-scale production will also begin in the areas of mobile phones and hearing aids, in order to actively respond to the gradual recovery of market demand in the future.

Since the global outbreak of the COVID 19 epidemic in 2020, it has had a huge impact on human daily life. Epidemic prevention and isolation and the rise of China have brought geopolitical impacts, unexpected market demand changes, and the Ukraine-Russia war has worsened inflation, which has also brought a huge impact on semiconductor-related industries. , causing the supply chain to be cut off, and the market demand to change drastically. In the post-epidemic 2023, destocking and grasping the recovery of various application markets are challenges that companies must face. The consumer market of the IC industry is still at the bottom of the valley, and the recovery of market demand is not yet obvious. Prudent production and marketing control and timely expansion of the market are the key goals of the company in 2023. With the efforts of all colleagues in the company and the support of shareholders, the company will strive to grow in 2023 and create maximum benefits for shareholders.

Finally, thank you again for your support and encouragement. Thank you!

Chairman Jeffrey Lin

President Tim Hu

The Audit Committee's Review Report

The Audit Committee approved the financial statements of the Company for the year 2022, which had been approved by the Board of Directors, and was also audited and attested by KPMG Taiwan appointed by the Board of Directors, with an audit report issued.

In addition, the Company's annual business report and loss recovery proposal prepared by the Board of Directors have been reviewed by the Audit Committee and found to be in conformity with the relevant provisions of the Company Act. The Audit Committee hereby reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act as above.

Please review.

Sincerely,

2023 General Shareholders' Meeting, Solid State System Co., Ltd.

Convener of the Audit Committee: Cheermore Huang

February 23, 2023

Representation Letter

The entities that are required to be included in the combined financial statements of Solid State System Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Solid State System Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Solid State System Co., Ltd.

Chairman: Jeffrey Lin

Date: February 23, 2023

Independent Auditors' Report

To the Board of Directors of
Solid State System Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Solid State System Co., Ltd. (“3S”) and its subsidiaries (together referred to as the “Company”), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of inventories

Please refer to Note 4(8) “Summary of Significant Accounting Policies—Inventories”, Note5(1) “Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty—Valuation of inventories”, and Note 6(3) “Explanation of Significant Accounts—Inventories” to the consolidated financial statements.

Description of key audit matter:

The Company's main products included NAND Flash controller IC and Audio IC, wherein its inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in electronic industry, the old models produced by the Company may quickly be replaced by new ones or may fail to meet the market demand resulting in a risk in which the carrying value of inventories may be higher than its net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon which might be subject to significant fluctuations. Therefore, the valuation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Obtaining the inventory ageing report and checking the accuracy with the general ledger; testing the accuracy of the ageing of inventory based on the available documents of the last valid transaction. Inspecting the inventory ageing report and analyzing the difference in the inventory aging in comparison to prior periods. Understanding and evaluating the management's judgment on the calculation of the net realizable value, and testing the relevant documents to assess the rationality for ageing inventories under 6 months; as well as challenging the management's assumptions on the completeness of inventory provisions, making an assessment of their adequacy for ageing inventories exceeding 6 months of age and/or obsolescence of inventory, and assessing the reasonableness and accuracy of the provisioning methodology; Testing the appropriateness of the inventory valuation, evaluating the management's calculations for inventory loss with reference to historical trends to ensure their appropriateness and considering the adequacy of the Company's disclosures in the accounts.

2. Impairment assessment on non-financial assets

Please refer to Note 4(12) "Summary of Significant Accounting Policies – Impairment of non-financial assets", Note 5(2) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty – Impairment Assessment on non-financial assets", and Notes 6(4), (5) and (6) "Explanation of Significant Accounts – Property, plant and equipment", "Explanation of Significant Accounts – Right-of-use assets" and "Explanation of Significant Accounts – Intangible assets", respectively, to the consolidated financial statements.

Description of key audit matter:

The Company has performed poorly in operation in recent years, resulting in a risk in which the impairment loss of non-financial assets and the recoverable amount of assets may become lower than the carrying value of assets. The valuation of the impairment loss of assets that are based on the cash flow in the future is subject to the management's judgment which has significant uncertainty, and the audit team needs to discuss the matter with the management to evaluate the adequacy of the valuation. Therefore, the impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing the methodology and assumptions used by management to determine whether the assets are impaired. Conducting retrospective testing to compare the historical forecast cash flows with actualities if there is significant difference. Performing sensitivity analysis for the key assumptions which are used in the impairment model with reference to historical forecast cash flows. Consulting with our internal valuation specialist to evaluate the appropriateness of the weighted average cost of capital applied, and obtaining the subsequent financial information to assess the rationality of the evaluation of impairment.

Other Matter

Solid State System Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC or SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
February 23, 2023

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021		Liabilities and Equity	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6(1))	\$ 65,952	10	171,771	22	Short-term borrowings (notes 6(7))	\$ 66,019	10	-	-
Accounts receivable, net (note 6(2))	13,591	2	21,643	3	Accounts payable	1,936	-	25,800	4
Accounts receivable from related parties, net (notes 6(2) and 7)	40,643	6	58,774	8	Accrued payroll and bonus	17,122	3	17,324	2
Inventories (note 6(3))	390,453	62	334,848	44	Other accrued expenses	19,614	3	44,636	6
Other current assets (note 8)	8,203	2	9,099	1	Current lease liabilities (note 6(8))	10,033	2	7,150	1
	<u>518,842</u>	<u>82</u>	<u>596,135</u>	<u>78</u>	Other current liabilities	6,324	1	9,308	1
						<u>121,048</u>	<u>19</u>	<u>104,218</u>	<u>14</u>
Non-current assets:					Non-current liabilities:				
Property, plant and equipment (note 6(4))	57,785	9	84,392	11	Deferred tax liabilities (note 6(10))	1,718	-	861	-
Right-of-use assets (note 6(5))	23,600	4	21,847	3	Non-current lease liabilities (note 6(8))	8,747	2	7,851	1
Intangible assets (note 6(6))	14,177	2	20,287	3	Guarantee deposits received	618	-	618	-
Deferred tax assets (note 6(10))	-	-	29,860	4		<u>11,083</u>	<u>2</u>	<u>9,330</u>	<u>1</u>
Refundable deposits (note 8)	6,779	1	7,095	1	Total liabilities	<u>132,131</u>	<u>21</u>	<u>113,548</u>	<u>15</u>
Net defined benefit asset, non-current (note 6(9))	8,490	2	4,205	-	Equity (notes 6(11) and (12)):				
Other non-current assets	117	-	533	-	Common stock	746,877	119	746,877	98
	<u>110,948</u>	<u>18</u>	<u>168,219</u>	<u>22</u>	Capital surplus	-	-	176,995	23
					Accumulated deficits	(249,218)	(40)	(273,066)	(36)
					Total equity	<u>497,659</u>	<u>79</u>	<u>650,806</u>	<u>85</u>
Total assets	\$ <u>629,790</u>	<u>100</u>	<u>764,354</u>	<u>100</u>	Total liabilities and equity	\$ <u>629,790</u>	<u>100</u>	<u>764,354</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
Operating revenues (notes 6(14) and 7)	\$ 402,605	100	692,352	100
Operating costs (notes 6(3), (8) and 12)	<u>286,176</u>	<u>71</u>	<u>462,864</u>	<u>67</u>
Gross profit	<u>116,429</u>	<u>29</u>	<u>229,488</u>	<u>33</u>
Operating expenses (notes 6(8), 7 and 12):				
Selling	67,713	17	65,500	9
General and administrative	35,932	9	31,670	5
Research and development	<u>133,920</u>	<u>33</u>	<u>135,756</u>	<u>20</u>
Total operating expenses	<u>237,565</u>	<u>59</u>	<u>232,926</u>	<u>34</u>
Net operating loss	<u>(121,136)</u>	<u>(30)</u>	<u>(3,438)</u>	<u>(1)</u>
Non-operating income and expenses (note 6(16)):				
Interest income	565	-	232	-
Other gains and losses	(5,456)	(1)	5,807	1
Finance costs (note 6(8))	<u>(667)</u>	<u>-</u>	<u>(1,280)</u>	<u>-</u>
Total non-operating income and expenses	<u>(5,558)</u>	<u>(1)</u>	<u>4,759</u>	<u>1</u>
Profit expenses (loss) before tax	(126,694)	(31)	1,321	-
Income tax Profit expenses (note 6(10))	<u>29,865</u>	<u>8</u>	<u>163</u>	<u>-</u>
Net (loss) profit for the period	<u>(156,559)</u>	<u>(39)</u>	<u>1,158</u>	<u>-</u>
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(9))	4,265	1	648	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(10))	<u>853</u>	<u>-</u>	<u>130</u>	<u>-</u>
Total items that may not be reclassified subsequently to profit or loss	<u>3,412</u>	<u>1</u>	<u>518</u>	<u>-</u>
Other comprehensive income for the period (after tax)	<u>3,412</u>	<u>1</u>	<u>518</u>	<u>-</u>
Total comprehensive income for the period	<u><u>\$ (153,147)</u></u>	<u><u>(38)</u></u>	<u><u>1,676</u></u>	<u><u>-</u></u>
Earnings per share (New Taiwan Dollars) (note 6(13))				
Basic earnings per share	<u><u>\$ (2.10)</u></u>		<u><u>0.02</u></u>	
Diluted earnings per share	<u><u>\$ (2.10)</u></u>		<u><u>0.02</u></u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Accumulated deficits	Total equity
Balance as of January 1, 2021	\$ 646,877	-	(274,742)	372,135
Net income for the period	-	-	1,158	1,158
Other comprehensive income for the period	-	-	518	518
Total comprehensive income for the period	-	-	1,676	1,676
Due to donated assets received	-	868	-	868
Issue of shares	100,000	171,320	-	271,320
Compensation cost of employee subscription for cash capital increase	-	4,807	-	4,807
Balance as of December 31, 2021	<u>746,877</u>	<u>176,995</u>	<u>(273,066)</u>	<u>650,806</u>
Net loss for the period	-	-	(156,559)	(156,559)
Other comprehensive income for the period	-	-	3,412	3,412
Total comprehensive income for the period	-	-	(153,147)	(153,147)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of December 31, 2022	<u>\$ 746,877</u>	<u>-</u>	<u>(249,218)</u>	<u>497,659</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
(Loss) profit before income tax	\$ (126,694)	1,321
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	36,580	35,703
Amortization	13,072	15,335
Expected credit (gain) loss	(38)	17
Interest expense	667	1,280
Interest income	(565)	(232)
Compensation cost of employee subscription for cash capital increase	-	4,807
Gain on disposal of property, plant and equipment	(1,680)	(3,192)
Recognition of impairment losses on non-financial assets	12,819	-
Provision for inventory devaluation loss (reversed)	30,341	(1,197)
Others	20	-
Total adjustments to reconcile profit (loss)	<u>91,216</u>	<u>52,521</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	8,090	(7,723)
Accounts receivable from related parties	18,131	(9,657)
Inventories	(85,946)	(142,303)
Other operating assets	1,300	2,728
Total changes in operating assets	<u>(58,425)</u>	<u>(156,955)</u>
Changes in operating liabilities:		
Accounts payable	(23,864)	(25,441)
Other operating liabilities	(29,301)	(1,770)
Total changes in operating liabilities	<u>(53,165)</u>	<u>(27,211)</u>
Total changes in operating assets and liabilities	<u>(111,590)</u>	<u>(184,166)</u>
Total adjustments	<u>(20,374)</u>	<u>(131,645)</u>
Cash flows used in operations	(147,068)	(130,324)
Interest received	522	228
Interest paid	(594)	(1,298)
Income taxes paid	(2)	(161)
Net cash flows used in operating activities	<u>(147,142)</u>	<u>(131,555)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(9,435)	(19,108)
Proceeds from disposal of property, plant and equipment	2,124	10,271
Decrease in refundable deposits	316	1,169
Acquisition of intangible assets	(6,962)	(9,185)
Net cash flows used in investing activities	<u>(13,957)</u>	<u>(16,853)</u>
Cash flows from financing activities:		
Proceeds from borrowings	141,019	333,213
Repayments of borrowings	(75,000)	(367,629)
Decrease in guarantee deposits received	-	(309)
Payment of lease liabilities	(10,739)	(10,658)
Proceeds from issuing shares	-	271,320
Net flows from financing activities	<u>55,280</u>	<u>225,937</u>
Net (decrease) increase in cash and cash equivalents for the period	<u>(105,819)</u>	<u>77,529</u>
Cash and cash equivalents at beginning of period	<u>171,771</u>	<u>94,242</u>
Cash and cash equivalents at end of period	<u>\$ 65,952</u>	<u>171,771</u>

See accompanying notes to consolidated financial statements.

Independent Auditors' Report

To the Board of Directors of
Solid State System Co., Ltd.:

Opinion

We have audited the parent-company-only financial statements of Solid State System Co., Ltd., which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent-company-only financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the parent-company-only financial position of Solid State System Co., Ltd. as of December 31, 2022 and 2021, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of Solid State System Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of inventories

Please refer to Note 4(7) "Summary of Significant Accounting Policies—Inventories", Note5(1) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty—Valuation of inventories", and Note 6(3) "Explanation of Significant Accounts—Inventories" to the parent-company-only financial statements.

Description of key audit matter:

Solid State System Co., Ltd.'s main products included NAND Flash controller IC and Audio IC, wherein its inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in electronic industry, the old models produced by Solid State System Co., Ltd. may quickly be replaced by new ones or may fail to meet the market demand resulting in a risk in which the carrying value of inventories may be higher than its net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon which might be subject to significant fluctuations. Therefore, the valuation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Obtaining the inventory ageing report and checking the accuracy with the general ledger; testing the accuracy of the ageing of inventory based on the available documents of the last valid transaction. Inspecting the inventory ageing report and analyzing the difference in the inventory aging in comparison to prior periods. Understanding and evaluating the management's judgment on the calculation of the net realizable value, and testing the relevant documents to assess the rationality for ageing inventories under 6 months; as well as challenging the management's assumptions on the completeness of inventory provisions, making an assessment of their adequacy for ageing inventories exceeding 6 months of age and/or obsolescence of inventory, and assessing the reasonableness and accuracy of the provisioning methodology; Testing the appropriateness of the inventory valuation, evaluating the management's calculations for inventory loss with reference to historical trends to ensure their appropriateness and considering the adequacy of Solid State System Co., Ltd.'s disclosures in the accounts.

2. Impairment assessment on non-financial assets

Please refer to Note 4(12) "Summary of Significant Accounting Policies—Impairment of non-financial assets", Note 5(2) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty—Impairment Assessment on non-financial assets", and Notes 6(5), (6) and (7) "Explanation of Significant Accounts—Property, plant and equipment", "Explanation of Significant Accounts—Right-of-use assets" and "Explanation of Significant Accounts—Intangible assets", respectively, to the parent-company-only financial statements.

Description of key audit matter:

Solid State System Co., Ltd. has performed poorly in operation in recent years, resulting in a risk in which the impairment loss of non-financial assets and the recoverable amount of assets may become lower than the carrying value of assets. The valuation of the impairment loss of assets that are based on the cash flow in the future is subject to the management's judgment which has significant uncertainty, and the audit team needs to discuss the matter with the management to evaluate the adequacy of the valuation. Therefore, the impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing the methodology and assumptions used by management to determine whether the assets are impaired. Conducting retrospective testing to compare the historical forecast cash flows with actualities if there is significant difference. Performing sensitivity analysis for the key assumptions which are used in the impairment model with reference to historical forecast cash flows. Consulting with our internal valuation specialist to evaluate the appropriateness of the weighted average cost of capital applied, and obtaining the subsequent financial information to assess the rationality of the evaluation of impairment.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing Solid State System Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Solid State System Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Solid State System Co., Ltd.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Solid State System Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Solid State System Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Solid State System Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
February 23, 2023

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 64,616	10	170,402	22	2100	Short-term borrowings (notes 6(8))	\$ 66,019	10	-	-
1170	Accounts receivable, net (note 6(2))	13,532	2	21,637	3	2170	Accounts payable	1,936	-	25,800	4
1180	Accounts receivable from related parties, net (notes 6(2) and 7)	40,643	6	58,774	8	2201	Accrued payroll and bonus	17,122	3	17,324	2
130X	Inventories (note 6(3))	390,453	62	334,791	44	2209	Other accrued expenses	19,614	3	44,634	6
1479	Other current assets (note 8)	9,538	2	8,322	1	2280	Current lease liabilities (note 6(9))	10,033	2	7,150	1
		<u>518,782</u>	<u>82</u>	<u>593,926</u>	<u>78</u>	2399	Other current liabilities	6,264	1	9,268	1
Non-current assets:								<u>120,988</u>	<u>19</u>	<u>104,176</u>	<u>14</u>
1550	Investments accounted for using equity method (note 6(4))	-	-	2,167	-	Non-current liabilities:					
1600	Property, plant and equipment (note 6(5))	57,785	9	84,392	11	2570	Deferred tax liabilities (note 6(11))	1,718	-	861	-
1755	Right-of-use assets (note 6(6))	23,600	4	21,847	3	2580	Non-current lease liabilities (note 6(9))	8,747	2	7,851	1
1780	Intangible assets (note 6(7))	14,177	2	20,287	3	2645	Guarantee deposits received	618	-	618	-
1840	Deferred tax assets (note 6(11))	-	-	29,860	4			<u>11,083</u>	<u>2</u>	<u>9,330</u>	<u>1</u>
1920	Refundable deposits (note 8)	6,779	1	7,095	1	Total liabilities		<u>132,071</u>	<u>21</u>	<u>113,506</u>	<u>15</u>
1975	Net defined benefit asset, non-current (note 6(10))	8,490	2	4,205	-	Equity (notes 6(12) and (13)):					
1990	Other non-current assets	117	-	533	-	3110	Common stock	746,877	119	746,877	98
		<u>110,948</u>	<u>18</u>	<u>170,386</u>	<u>22</u>	3200	Capital surplus	-	-	176,995	23
						3300	Accumulated deficits	(249,218)	(40)	(273,066)	(36)
						Total equity		<u>497,659</u>	<u>79</u>	<u>650,806</u>	<u>85</u>
						Total liabilities and equity		<u>\$ 629,730</u>	<u>100</u>	<u>764,312</u>	<u>100</u>
Total assets		<u>\$ 629,730</u>	<u>100</u>	<u>764,312</u>	<u>100</u>						

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
Operating revenues (notes 6(15) and 7)	\$ 402,537	100	692,359	100
5000 Operating costs (notes 6(3), (9) and 12)	286,118	71	462,897	67
Gross profit	116,419	29	229,462	33
5910 Realized (unrealized) profit or loss from sales	7	-	(2)	-
Realized gross profit	116,426	29	229,460	33
6000 Operating expenses (notes 6(9), 7 and 12):				
6100 Selling	67,702	17	65,445	9
6200 General and administrative	35,860	9	31,616	5
6300 Research and development	133,920	33	135,756	20
6450 Total operating expenses	237,482	59	232,817	34
Net operating loss	(121,056)	(30)	(3,357)	(1)
7000 Non-operating income and expenses (note 6(17)):				
7100 Interest income	561	-	229	-
7020 Other gains and losses	(5,456)	(1)	5,807	1
7050 Finance costs (note 6(9))	(667)	-	(1,280)	-
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(4))	(76)	-	(78)	-
Total non-operating income and expenses	(5,638)	(1)	4,678	1
7900 Profit expenses (loss) before tax	(126,694)	(31)	1,321	-
7950 Income tax Profit expenses (note 6(11))	29,865	8	163	-
Net (loss) profit for the period	(156,559)	(39)	1,158	-
8300 Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
8311 Remeasurements of defined benefit plans (note 6(10))	4,265	1	648	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(11))	853	-	130	-
Total items that may not be reclassified subsequently to profit or loss	3,412	1	518	-
8300 Other comprehensive income for the period (after tax)	3,412	1	518	-
Total comprehensive income for the period	<u>\$ (153,147)</u>	<u>(38)</u>	<u>1,676</u>	<u>-</u>
Earnings per share (New Taiwan Dollars) (note 6(14))				
9750 Basic earnings per share	<u>\$ (2.10)</u>		<u>0.02</u>	
9850 Diluted earnings per share	<u>\$ (2.10)</u>		<u>0.02</u>	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Accumulated deficits	Total equity
Balance as of January 1, 2021	\$ 646,877	-	(274,742)	372,135
Net income for the period	-	-	1,158	1,158
Other comprehensive income for the period	-	-	518	518
Total comprehensive income for the period	-	-	1,676	1,676
Due to donated assets received	-	868	-	868
Issue of shares	100,000	171,320	-	271,320
Compensation cost of employee subscription for cash capital increase	-	4,807	-	4,807
Balance as of December 31, 2021	<u>746,877</u>	<u>176,995</u>	<u>(273,066)</u>	<u>650,806</u>
Net loss for the period	-	-	(156,559)	(156,559)
Other comprehensive income for the period	-	-	3,412	3,412
Total comprehensive income for the period	-	-	(153,147)	(153,147)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of December 31, 2022	<u><u>\$ 746,877</u></u>	<u><u>-</u></u>	<u><u>(249,218)</u></u>	<u><u>497,659</u></u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2022	2021
Cash flows from operating activities:		
(Loss) profit before income tax	\$ (126,694)	1,321
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	36,580	35,703
Amortization	13,072	15,335
Expected credit (gain) loss	(38)	17
Interest expense	667	1,280
Interest income	(561)	(229)
Compensation cost of employee subscription for cash capital increase	-	4,807
Share of loss of subsidiaries accounted for using equity method	76	78
Realized loss (profit) from sales	(7)	2
Gain on disposal of property, plant and equipment	(1,680)	(3,192)
Recognition of impairment losses on non-financial assets	12,819	-
Provision for inventory devaluation loss (reversed)	30,341	(1,197)
Others	20	-
Total adjustments to reconcile profit (loss)	<u>91,289</u>	<u>52,604</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	8,143	(7,735)
Accounts receivable from related parties	18,131	(9,657)
Inventories	(86,003)	(142,271)
Other operating assets	1,286	2,720
Total changes in operating assets	<u>(58,443)</u>	<u>(156,943)</u>
Changes in operating liabilities:		
Accounts payable	(23,864)	(25,441)
Other operating liabilities	(29,319)	(1,766)
Total changes in operating liabilities	<u>(53,183)</u>	<u>(27,207)</u>
Total changes in operating assets and liabilities	<u>(111,626)</u>	<u>(184,150)</u>
Total adjustments	<u>(20,337)</u>	<u>(131,546)</u>
Cash flows used in operations	(147,031)	(130,225)
Interest received	518	225
Interest paid	(594)	(1,298)
Income taxes paid	(2)	(161)
Net cash flows used in operating activities	<u>(147,109)</u>	<u>(131,459)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(9,435)	(19,108)
Proceeds from disposal of property, plant and equipment	2,124	10,271
Decrease in refundable deposits	316	1,169
Acquisition of intangible assets	(6,962)	(9,185)
Net cash flows used in investing activities	<u>(13,957)</u>	<u>(16,853)</u>
Cash flows from financing activities:		
Proceeds from borrowings	141,019	333,213
Repayments of borrowings	(75,000)	(367,629)
Decrease in guarantee deposits received	-	(309)
Payment of lease liabilities	(10,739)	(10,658)
Proceeds from issuing shares	-	271,320
Net cash flows from financing activities	<u>55,280</u>	<u>225,937</u>
Net (decrease) increase in cash and cash equivalents for the period	(105,786)	77,625
Cash and cash equivalents at beginning of period	170,402	92,777
Cash and cash equivalents at end of period	<u>\$ 64,616</u>	<u>170,402</u>

See accompanying notes to parent-company-only financial statements.

Shareholding of Directors

1. According to Article 26 of Securities and Exchange Act:
 - (1).The paid-in capital of the Company outstanding shares are 74,687,642 shares.
 - (2).The company minimum shareholding of all of the directors is 5,975,011 shares.
2. As of the book closure date of this annual shareholders' meeting, the shareholding of all of directors in the shareholders book, are as follows:

Title	Name	Current shareholding	Shareholding ratio
Chairman	Mr. Jeffrey Lin	2,549,277	3.41%
Director	Mr. Kojiro Hatanaka Representative of Kioxia	5,065,847	6.78%
Director	Mr. Tim Hu	518,009	0.69%
Director	Mr. Albert Yang Representatvie of KTC	5,231,190	7.00%
Independent Director	Mr. Cheermore Huang	432,367	0.58%
Independent Director	Mr. Ken Lin	82,808	0.11%
Independent Director	Mr. James Hou	0	0.00%
Total Shares of All Directors		13,884,498	18.57%
Total Shares of non-Independent Directors		13,364,323	17.88%

Note : The closing date of the regular shareholders' meeting is from March 18, 2023 to May 16, 2023.